



Enriching Lives

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

Ref.: SEC/20 2

August 1, 2016

Through online portal

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai 400 001  
Scrip Code – 505283

Kind Atten.: Ms. Bharti Bhambwani, Corporate Relationship Manager

Dear Madam,

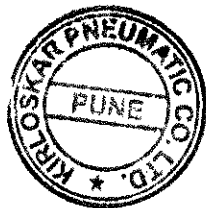
Sub.: Submission of Annual Report 2016

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed soft copy of Annual Report of the Company.

Thanking you.

Yours faithfully,  
For Kirloskar Pneumatic Company Limited

Jitendra R. Shah  
Company Secretary  
Encl.: As above





# KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

Enriching Lives

41<sup>st</sup> ANNUAL REPORT 2015 - 2016



**Strengthened with capabilities.**

**Poised for growth.**



With a century-old expertise at the helm, Kirloskar has successfully transformed deep-rooted wisdom into critical engineering solutions that have enriched lives worldwide.

Our indigenous products symbolise our engineering excellence and capabilities. Understanding of rural markets and a strong presence at grassroots level enable us explore new territories. Our 'under one roof' manufacturing gives us a competitive edge and the pride of 'Making in India' urges us to raise the bar for global engineering.

**We are Kirloskar and we are poised for growth like never before!**



**Your company is poised for growth with:**

- ▶ focused and systematic efforts to be a world-class manufacturer of Air, Gas and Refrigeration Compressors.
- ▶ a wide product range and suitable technologies to address customer needs with precision – Reciprocating, Screw, Centrifugal.
- ▶ a growing Global Presence.
- ▶ Refrigeration and Gas Compression projects for Oil & Gas Industry in India & abroad.
- ▶ customised special Air Conditioning and Refrigeration Systems for the Indian Navy.
- ▶ a sharp focus on CNG Compression Systems for all City Gas Distribution companies.
- ▶ the development of high end Total Transmission Solutions for industries like Rolling Mills, Sugar Mills and Turbine drives etc.

**BOARD OF DIRECTORS**

Mr Rahul C Kirloskar	Executive Chairman
Mr Aditya Kowshik	Managing Director
Mr Atul C Kirloskar	
Mr Vikram S Kirloskar	
Mr A C Mukherji	
Mr P S Jawadekar	
Mr G Krishna Rao	
Mr D R Swar	
Mr Sunil Shah Singh	
Dr Aditi Pant	
Dr Ajay Kumar Dua	Appointed w.e.f. 14 <sup>th</sup> March, 2016

**CHIEF FINANCIAL OFFICER**

Mr Suhas S Kolhatkar

**COMPANY SECRETARY**

Mr Jitendra R Shah

**AUDITORS**

M/s P G Bhagwat  
Chartered Accountants, Pune

**SECRETARIAL AUDITORS**

M/s SVD & Associates  
Company Secretaries, Pune

**BANKERS**

Bank of India	HDFC Bank Ltd.
Bank of Maharashtra	ICICI Bank Ltd.
Union Bank of India	

**REGISTERED OFFICE**

Hadapsar Industrial Estate,  
Pune 411 013  
Email: sec@kpcl.net  
www.kirloskarkpcl.com  
CIN: L29120PN1974PLC110307

**Information for shareholders**

Annual General Meeting	
Day & Date	: Friday, 22 <sup>nd</sup> July, 2016
Time	: 2.30 p.m.
Venue	: S. M. Joshi Socialist Foundation (S. M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune - 411 030.
Dates of Book Closure	: 16 <sup>th</sup> July, 2016 to 22 <sup>nd</sup> July, 2016 (both days inclusive)

**Contents**

	<b>Page No.</b>
Notice	02
Directors' Report	12
Report on Corporate Governance	46
Management Discussion & Analysis	57
Auditors' Report	62
Financial Statements	68

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## NOTICE OF 41ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the 41<sup>st</sup> Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Friday, the 22<sup>nd</sup> day of July, 2016 at 2.30 p.m. at SM Joshi Socialist Foundation (SM Joshi Hall), S. No. 191/192 Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2016 together with the Report of the Auditors' and Board of Directors thereon and Consolidated Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2016.
2. To confirm payment of Interim Dividend @ 70% i.e. Rs. 7/- per Equity Share of Rs. 10/- each in the month of March, 2016 as Final Dividend for the financial year 2015-16.
3. To appoint a Director in place of Mr Rahul C Kirloskar (holding DIN 00007319), who retires by rotation and being eligible, offers himself for re-appointment.
4. **To re-appoint Statutory Auditors and to fix their remuneration and in this regard pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Sections 139, 142 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. P. G. Bhagwat (Firm Registration No. 101118W) Chartered Accountants be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of 41<sup>st</sup> Annual General Meeting till the conclusion of the 46<sup>th</sup> Annual General Meeting subject to ratification by the Members annually at a remuneration to be decided by the Board of Directors in consultation with the Auditors plus applicable service tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit."

### SPECIAL BUSINESS

5. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 5 Lacs (Rupees Five Lacs only) to Company's Cost Auditor, M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2017."

6. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr Ajay Kumar Dua (holding DIN 02318948), Director of the Company who was appointed as an additional director, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years upto 21<sup>st</sup> July, 2021.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr Ajay Kumar Dua be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."



**7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:**

“RESOLVED that pursuant to the recommendation of the Nomination and Remuneration Committee, provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the re-appointment of Mr Rahul C Kirloskar (holding DIN 007319), Executive Chairman as the Whole Time Director to be designated as the 'Executive Chairman' of the Company for a further period of five years with effect from 23<sup>rd</sup> January, 2017 on the terms and conditions and remuneration as set out in the explanatory statement and contained in the draft agreement to be entered into between the Company and Mr Rahul C Kirloskar with liberty to the Board of Directors or any committee thereof to alter and vary the said terms of appointment and remuneration subject to the limits specified in Schedule V to the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr Rahul C Kirloskar.”

**8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

“RESOLVED that pursuant to the recommendation of the Nomination and Remuneration Committee, provisions of Section 197 read with Schedule V and applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof) for the time being in force and Articles of Association of the Company, the consent of the Members be and is hereby accorded for revision in the remuneration payable to Mr Aditya Kowshik (holding DIN 00228983) for his remaining term as Managing Director w.e.f. 1<sup>st</sup> May, 2016 as set out in the explanatory statement and contained in the draft supplementary agreement to be entered into between the Company and Mr Aditya Kowshik, Managing Director.”

**9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

“RESOLVED that pursuant to the recommendation of the Nomination and Remuneration Committee, provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the re-appointment of Mr Aditya Kowshik (holding DIN 00228983), as Managing Director of the Company for a further period of three years beginning from 24<sup>th</sup> October, 2016 on the terms and conditions including remuneration as set out in the explanatory statement and contained in the draft agreement to be entered into between the Company and Mr Aditya Kowshik with liberty to the Board of Directors or any committee thereof to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Schedule V to the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr Aditya Kowshik.

RESOLVED FURTHER that subject to the provisions of the Companies Act, 2013 and in terms of Article 99 of the Articles of Association of the Company, the Managing Director shall not, while he continues to hold office of the Managing Director, be subject to retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold the office of Director for any cause.”

**10. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:**

“RESOLVED that pursuant to provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), the Company may pay to a Director who is neither in the whole time employment of the Company nor a Managing Director, further remuneration by way of commission (to be divided amongst them in such manner as the Board of Directors may from time to time determine and in default of such determination equally) commencing from the financial year 2016-17, provided that the remuneration so paid to such a Director, or when there is more than one such Director to all of them together, shall not exceed 1% of the net profits of the Company, computed in the manner laid down in Section 198 of the Act.”



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## NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to Special Business to be transacted at the meeting, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH A PROXY / PROXIES SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding aggregate not more than ten percent of the total share capital of the Company.  

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A proxy form is sent herewith. Proxies submitted on behalf of companies must be supported by an appropriate resolution/authority as applicable.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 16<sup>th</sup> July, 2016 to Friday, the 22<sup>nd</sup> July, 2016 (both days inclusive) for the purpose of Annual General Meeting.
4. In order to get their future dividend through Electronic Clearing Service (ECS) members who are holding shares in physical form are requested to inform their Bank Account Details i.e. Name of the Bank, Branch, its address, Account Number and Type of Account to M/s Link Intime India Pvt Ltd (LI IPL) or to the Company. Shareholders holding shares in electronic form are requested to inform their Bank Account details to their respective Depository Participants. Those Members who do not opt for ECS facility may inform their details to LI IPL for printing the same on the Dividend Warrants to ensure safety.
5. All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the Registered Office of the Company during normal business hours on all working days between 11.00 a.m. and 1.00 p.m. except Saturdays, from the date hereof up to the date of the Annual General Meeting.
6. In terms of the provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205A of the Companies Act, 1956), the amount of dividend not encashed or claimed within seven (7) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2008-09 is due for transfer to the said Fund in August, 2016. In terms of provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205C of the Companies Act, 1956), no claim shall lie against the Company or the said Fund after the said transfer.
7. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2008-09 to 2015-16, are requested to write to the Company, mentioning the relevant Folio number or DP ID and Client ID, for issuance of duplicate/revalidated dividend warrant(s) before the amount becomes due for transfer.
8. Members holding shares in physical form are requested to promptly notify in writing any changes in their address/bank account details to the Secretarial Department of the Company at Hadapsar Industrial Estate, Pune 411013 or its registrar M/s Link Intime India Pvt Ltd (LI IPL) at their address, Akshay Complex, No. 202, 2nd floor, near Ganesh Temple, Off Dhole Patil Road, Pune 411001. Members holding shares in electronic form are requested to notify the changes in the above particulars, if any, directly to their Depository Participants (DP).
9. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.
10. Voting through electronic means for Annual General Meeting
  - I. Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and modifications and amendments thereof, the Company is pleased to provide Members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the Members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through polling paper shall be made available at the AGM and the Members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right



- at the meeting through polling paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on Tuesday, the 19<sup>th</sup> July, 2016 (9 a.m.) and ends on Thursday, the 21<sup>st</sup> July, 2016 (5 p.m.). During this period, members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Friday, the 15<sup>th</sup> July, 2016 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- V. The process and manner for remote e-voting are as under:-
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company / Depository Participant(s)/ Registrar & Transfer Agent] :
- (i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsd.com/>
  - (iii) Click on Shareholder - Login
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
  - (vii) Select "EVEN" of "KIRLOSKAR PNEUMATIC COMPANY LIMITED".
  - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
  - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority Letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [deulkarcs@gmail.com](mailto:deulkarcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy] :
- (i) Initial password is provided as below / at the bottom of the Attendance Slip for the AGM EVEN (Remote e-voting Event Number) USER IDPASSWORD/PIN
  - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsd.com](http://www.evoting.nsd.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of Friday, the 15<sup>th</sup> July, 2016.

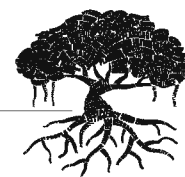


- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 15<sup>th</sup> July, 2016, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [pune@linktime.co.in](mailto:pune@linktime.co.in).  
However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through polling paper.
- XIII. Mr S V Deulkar, of SVD & Associates, Company Secretaries, (Membership No. FCS: 1321) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of "Polling Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com) and on the website of NSDL [www.nsdl.co.in](http://www.nsdl.co.in) immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.
11. Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
12. Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
13. Members are requested to bring their personal copy of the Annual Report to the Meeting.
14. With a view to using natural resources responsibly, we request shareholders to update their email address with their Depository Participants to enable the Company to send communications electronically.
15. The Annual Report 2015-16 is being sent through electronic mode only to the members whose email addresses are registered with Company / Depository Participant(s), unless any member has requested for a physical copy of the report. For members who have not registered their email addresses, physical copies of the Annual Report 2015-16 are being sent by the permitted mode.
16. Re-appointment of Director at the Annual General Meeting :  
Mr Rahul C Kirloskar is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the particulars of the aforesaid Director are covered in the Explanatory Statement to item No 7 of this Notice.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013

Date : 27<sup>th</sup> April, 2016

By Order of the Board of Directors  
sd/-  
**Jitendra Shah**  
Company Secretary



## ANNEXURE TO THE NOTICE

### The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013.

#### ITEM NO. 5 OF THE NOTICE

The Board of Directors at their meeting held on 27<sup>th</sup> April, 2016, based on the recommendation of the Audit Committee, had appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountants as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2017 and also fixed their remuneration for the said purpose.

Pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) remuneration payable to the Cost Auditors is required to be ratified by the members of the Company.

Therefore, the Board of Directors recommend the proposed resolution for your approval.

None of the Directors and Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 5.

#### ITEM NO. 6 OF THE NOTICE

Dr Ajay Kumar Dua (DIN 02318948) is an Additional Director (Independent Director for the purpose of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) with effect from 14<sup>th</sup> March, 2016 till the ensuing Annual General Meeting.

##### Profile of the Director

Dr Ajay Kumar Dua (aged 68 years) is a graduate of St. Stephens' College, Delhi where he studied for an Honors Degree in Economics. He was awarded a Ph.D by the University of Bombay for his work on Economics of Urban Renewal Programmes. He holds Diplomas in Business Administration, Marketing Management and Russian Language.

Dr Ajay Kumar Dua, a career civil servant joined the Indian Administrative Services in 1971. He has held a variety of senior assignments in the Government of Maharashtra and the Government of India, including as Managing Director of Industrial Promotion Corporations, Joint Secretary in the Union Ministry of Power. He was also the Secretary in the Department of Industrial Policy & Promotion of the Ministry of Commerce and Industry, Government of India, between July 2005 and July 2007.

Currently, he is a senior business advisor of several multinational corporations and on the board of following companies :

Name of the Company	Board position held	Committee Position held
Dabur India Ltd	Director	Corporate Social Responsibility Committee – Chairman Risk Management Committee – Chairman Audit Committee – Member Stakeholders' Relationship Committee – Member
AVIVA India Life Insurance Company Ltd	Director	Corporate Social Responsibility Committee – Chairman Nomination & Remuneration Committee – Chairman Audit Committee – Member

Dr Ajay Kumar Dua ceases to be an Additional Director at the ensuing Annual General Meeting in terms of Section 161 and any other applicable provisions of the Companies Act, 2013, being eligible offers himself for appointment, is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto 21<sup>st</sup> July, 2021. A notice has been received from a Member proposing Dr Ajay Kumar Dua as a candidate for the office of the Director of the Company.

In the opinion of the Board, Dr Ajay Kumar Dua fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management and also possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively. Copy of the draft letter of appointment of Dr Ajay Kumar Dua as an Independent Director setting out the terms and conditions would be available for inspection by the Members at the Registered Office of the Company during normal business hours on any working day excluding Saturday.

The Board considers that his continued association would be an immense benefit to the Company and it is desirable to continue to avail services of Dr Ajay Kumar Dua as an Independent Director. The Board recommends the resolution in relation to the appointment of Dr Ajay Kumar Dua as an Independent Director, for the approval of the Members of the Company.

Under the Companies Act, 2013, Independent Directors can only receive fees under the provisions of Section 197(5) and profit related commission as may be approved by the Members. Accordingly, approval of Members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee, from time to time subject to the limit prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Dr Ajay Kumar Dua does not hold any shares in the Company.

Dr Ajay Kumar Dua is not related to any other director on the Board of the Company.

None of the Directors or Key Managerial Personnel or their relatives other than Dr Ajay Kumar Dua are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 6. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### ITEM NO. 7 OF THE NOTICE

Mr Rahul C Kirloskar (DIN : 00007319) was appointed as Director on the Board w.e.f. 30<sup>th</sup> September, 1993 and was co-opted as Non-Executive Chairman w.e.f. 9<sup>th</sup> March, 2010. He was appointed as the Whole Time Director designated as the 'Executive Chairman' of the Company, for a period of 5 years from 23<sup>rd</sup> January, 2012 till 22<sup>nd</sup> January 2017 and the Members of the Company, in its Annual General Meeting held on 17<sup>th</sup> July, 2012, had approved the same.

The Board of Directors of the Company, in its meeting held on 27<sup>th</sup> April, 2016, re-appointed Mr Rahul C Kirloskar as a Whole Time Director designated as the 'Executive Chairman' of the Company, for a further period of 5 years from 23<sup>rd</sup> January, 2017. The said re-appointment as Whole Time Director as well as remuneration to be paid is subject to approval by the Members of the Company at the ensuing Annual General Meeting. The remuneration and other terms and conditions are as set out below and contained in the agreement to be entered into between the Company and Mr Rahul C Kirloskar as approved by the Board of Directors at the said meeting, a copy whereof is open for inspection.

Mr Rahul C Kirloskar is qualified as B. S. (Mechanical Engineering) USA. He has been with the Kirloskar Group of Companies for more than 25 years at senior levels in different capacities. He has actively participated in extensive course for top management professionals of major International Companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers (JUSE). This course has exposed him to the latest methods of TQM prevailing in Japan. He is also on the Board of several Companies. He has also been Chairman of the CII Pune Zonal Council as well as CII Maharashtra Council.

The Directorship in other companies is as follows:

Name of the Company	Board position held	Committee Position held
Kirloskar Oil Engines Ltd	Director	Audit Committee – Member Nomination & Remuneration Committee – Member
Kirloskar Proprietary Ltd	Director	-
Kirloskar Ferrous Industries Ltd	Vice-Chairman	Corporate Social Responsibility Committee – Chairman
J. K. Fenner India Ltd	Director	Audit Committee – Member Nomination & Remuneration Committee – Member
Green Tek Systems (India) Pvt Ltd	Chairman	-
Alpak Investments Pvt Ltd	Chairman	-
Asara Sales & Investments Pvt Ltd	Director	-
Kirloskar Energen Pvt Ltd	Director	-

Mr Rahul C Kirloskar holds 1,15,579 shares (in the name of first holder only) in the Company.

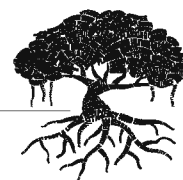
The details of remuneration payable to Mr Rahul C Kirloskar are as under :

#### SALARY:

Rs. 10,00,000/- (Rupees Ten Lacs) per month.

#### PERQUISITES & OTHER BENEFITS :

In addition to the aforesaid salary, Mr Rahul C Kirloskar as Executive Chairman shall be entitled to the following perquisites and other benefits :



- a. Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities and repairs shall be borne by the Company.
- b. Reimbursement of all medical expenses incurred for self and family.
- c. Leave travel assistance for self and family not exceeding Rs. 2,00,000/- per annum.
- d. Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.
- e. Personal accident insurance, premium whereof does not exceed Rs. 25,000/- per annum.
- f. A car with driver.
- g. Telephone, fax and other communication facilities at residence.
- h. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules.
- i. Gratuity at the rate of 30 days' salary for each completed year of service as per the Scheme of the Company.
- j. Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure, and
- k. Education Allowance for the education of his Children as per Company Rules.  
"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

Perquisites shall be evaluated as per the provisions of the Income Tax Rules.

#### COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Chairman shall not exceed the limit laid down under Section 197 and Schedule V of the Companies Act, 2013.

#### MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Whole Time Director, minimum remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Schedule V to the Companies Act, 2013 or any statutory modification thereof.

Mr Rahul C Kirloskar will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as Executive Chairman.

The Board considers that the re-appointment of Mr Rahul C Kirloskar would be of immense benefit to the Company. Accordingly, the Board of Directors recommend his appointment.

The copy of the draft agreement referred to in the resolution would be available for inspection by the Members at the Registered Office of the Company during normal business hours on any working day excluding Saturday.

Mr Rahul C Kirloskar is interested to the extent of remuneration payable to him. Mr Atul C Kirloskar, Director of the Company being the brother is related to each other and hence may be deemed to be interested in his re-appointment.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Rahul C Kirloskar and Mr Atul C Kirloskar are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 7. This explanatory statement may also be regarded as disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### ITEM NO 8 OF THE NOTICE

Mr Aditya Kowshik (DIN : 00228983) joined the Company in the year 1993 as a Senior Manager – ACR Projects. In the year 1998 he was promoted as Vice President (Operations) and made In-charge of ACR and Process Gas Division. He was appointed as a Whole Time Director on the Board w.e.f. 24<sup>th</sup> October, 2008 and designated as the 'Executive Director' of the Company for a period of 5 years and was re-designated as Managing Director w.e.f. 27<sup>th</sup> April, 2011. He was re-appointed as the Managing Director of the Company for a further period of 3 years w.e.f. 24<sup>th</sup> October 2013. The Members of the Company, in its Annual General Meeting held on 23<sup>rd</sup> July, 2014 have approved his re-appointment and remuneration for the said term.

The approval of the Members is being sought for the following revision in remuneration of Mr Aditya Kowshik for his remaining term as Managing Director w.e.f. 1<sup>st</sup> May, 2016 :

(Amount in Rs.)

Particulars (per month)	Existing	Revised
Salary	5,00,000	6,50,000
House Rent Allowance	50,000	65,000

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All other terms of remuneration including perquisites payable to Mr. Aditya Kowshik, Managing Director and other terms and conditions, as mentioned in the agreement dated 24<sup>th</sup> July, 2014 remain unchanged.

The copy of the draft supplementary agreement referred to in the resolution would be available for inspection by the Members at the Registered Office of the company during normal business hours on any working day excluding Saturday.

Except Mr Aditya Kowshik, none of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the resolution set out at an Item No 8.

#### **ITEM NO 9 OF THE NOTICE**

The Board of Directors of the Company at their Meeting held on 27<sup>th</sup> April, 2016 re-appointed Mr Aditya Kowshik as Managing Director for a period of three years w.e.f. 24<sup>th</sup> October, 2016 subject to approval of Members at the ensuing Annual General Meeting and in accordance with the conditions relating to the remuneration as specified in Section 197 read with Schedule V of the Companies Act, 2013 and on the other terms and conditions as set out below and contained in the draft agreement to be entered into between the Company and Mr Aditya Kowshik as approved by the Board of Directors at the said meeting, a copy whereof is open for inspection.

Mr Aditya Kowshik graduated from Bangalore University in Mechanical Engineering in 1977. He has total experience of over 30 years. He is a member of ISHRAE Pune Chapter, ASHRAE USA and International Institute of Ammonia Refrigeration over 8 years.

Mr Aditya Kowshik is also a Director of Kirloskar Chillers Private Limited and he does not hold any shares in that Company.

Mr Aditya Kowshik does not hold any shares in the Company.

As a Managing Director, Mr Aditya Kowshik shall be entrusted with powers of management of the business and affairs of the Company subject to superintendence, direction and control of the Board of Directors.

The details of remuneration payable to Mr Aditya Kowshik are as under:

#### **Salary :**

Rs. 6,50,000/- (Rupees Six Lacs Fifty Thousand) per month.

#### **Perquisites and other benefits :**

House Rent allowance of Rs.65,000/- per month.

Expenses on Hard and Soft furnishing by way of an allowance upto a limit of Rs.2,00,000/- per annum.

Reimbursement of all medical expenses incurred for self and family as per Company Rules. In addition, hospitalisation expenses for self and family will be paid on actual basis.

Leave Travel Assistance Rs. 1,50,000/- per annum.

Club fees as per Company Rules.

Suitable Personal Accident Insurance premium shall be paid by the Company.

A car with driver.

Telephone, Telefax and other telecommunication facilities at residence.

Contribution to Provident fund and Superannuation fund as per Company Rules.

Gratuity as per Scheme of the Company; and

Privilege Leave as per Company Rules. Leave not availed of may be encashed as per Company Rules.

#### **Commission :**

Commission shall be decided by the Board of Directors based on the net profits of the Company for each year subject to the condition that the aggregate remuneration of a Managing Director shall not exceed the limit laid down under Section 197 and Schedule V of the Companies Act, 2013.

#### **Sitting Fees :**

The Managing Director shall not be entitled to receive any fees for attending meetings of the Board and/or any Committee thereof.

#### **Others**

The Contract may be determined by giving six months' notice in writing in that behalf by either party.

#### **Minimum Remuneration :**

In case of loss or inadequacy of profits in any financial year of the Company during the tenure of Managing Director, the minimum remuneration payable by way of salary and perquisites would be determined in accordance with Schedule V to the Companies Act, 2013.



The Board considers that the re-appointment of Mr Aditya Kowshik would be of immense benefit to the Company. Accordingly, the Board of Directors recommend his appointment.

The copy of the draft agreement referred to in the resolution would be available for inspection by the Members at the Registered Office of the Company during normal business hours on any working day excluding Saturday.

Except Mr Aditya Kowshik, being an appointee, none of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the resolution set out at an Item No 9. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **ITEM NO. 10 OF THE NOTICE**

The Members of the Company at their Annual General Meeting held on 28<sup>th</sup> June, 2011 approved by way of Special Resolution under Section 309 of the Companies Act, 1956, the payment of additional remuneration by way of commission to the Non-Executive Directors of the Company not exceeding one percent per annum of the Net Profits of the Company, computed in accordance with the provisions of the Companies Act, 1956 for a period of 5 years with effect from the financial Year 2011-12.

In view of Sections 149, 197 and other applicable provisions of the Companies Act, 2013 and taking into account the roles and responsibilities of the directors, it is proposed to pay additional remuneration by way of commission to the Directors, who are neither in the whole time employment of the company nor Managing Director of the Company (Non-Executive Directors) not exceeding one percent per annum of the Net Profits of the Company, computed in accordance with the provisions of the Companies Act, 2013, commencing from the financial year 2016-17. This remuneration will be distributed amongst the Directors in such manner as the Board of Directors may from time to time determine subject to any other applicable requirements under the Companies Act, 2013. This remuneration shall be in addition to fee payable to the Directors for attending the meetings of the Directors or Committees thereof or for any other purpose whatsoever as may be decided by the Board, the reimbursement of expenses for participation in the Board and other meetings.

Accordingly, a fresh approval of the Members is sought by way of an Ordinary Resolution under the applicable provisions of the Companies Act, 2013 for payment of additional remuneration by way of commission to the Directors, who are neither in the whole time employment of the Company nor Managing Director of the Company commencing from the financial year 2016-17 as set out in the resolution at an Item No. 10 of the Notice.

All the Directors of the Company except Managing Director, Whole Time Director, Key Managerial Personnel and their relatives, may be deemed to be concerned or interested to the extent of additional remuneration by way of commission payable to them.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date: 27<sup>th</sup> April, 2016

By Order of the Board of Directors

sd/-

**Jitendra Shah**  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL RESULTS

The financial results for the year ended 31<sup>st</sup> March, 2016 are summarized below:

	2015-16	2014-15
Gross Profit	<b>707,344,638</b>	473,218,544
Less:		
Depreciation and Amortization	<b>190,896,678</b>	189,026,949
Provision for Taxation	<b>152,659,839</b>	58,439,009
Profit after tax	<b>363,788,121</b>	225,752,586
Surplus from previous year	<b>199,396,763</b>	195,809,253
Add / (Less)		
Transferred to General Reserve	<b>270,000,000</b>	144,794,186
Interim Dividend Paid	<b>89,910,366</b>	-
Proposed Dividend	-	64,221,690
Tax on Dividend	<b>18,228,460</b>	13,149,200
Retained Earnings	<b>185,046,058</b>	199,396,763

### FINANCIAL PERFORMANCE

Your company achieved a total revenue of Rs. 5,299.78 million for the financial year 2015-16, against last year's Rs. 4,601.42 million - an increase of 15%. Your company also earned a net profit of Rs. 363.79 million for the financial year 2015-16, against last year's Rs. 225.75 million - an increase of 61%. This is a result of improved sales, improved inventory turns, reduction in debtors and overall improvement in operating efficiency.

The Government has been taking various steps to promote the manufacturing sector like 'Make in India' programme etc. and though these measures have created a favourable market sentiment, it is our opinion that it would take some more time for changes to be visible at ground level. In the capital goods industry, we largely depend upon the revival of core sectors like Oil & Gas, Cement, Steel and Power etc. but there has been no significant investment yet in these sectors.

Considering this scenario, the Company is putting in more efforts in its international initiatives while focusing on improving the domestic market share.

### DIVIDEND

The Board of Directors had declared an interim dividend of Rs. 7/- (70%) per Equity Share of Rs. 10/- each for F.Y. 2015-16 at its meeting held on 14<sup>th</sup> March, 2016 and the same has been paid to eligible members and/or beneficial owners. In lieu of this, Board does not recommend any further dividend by considering the interim dividend paid as final dividend.

### FIXED DEPOSIT

The Company had discontinued accepting fixed deposits since 2001-02. As such as of 31<sup>st</sup> March, 2016 there are no fixed deposits outstanding.

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

No Loans, Guarantees or Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided / made during the reporting year.

### MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.



**COMMENTS ON AUDITORS' REPORT**

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s P G Bhagwat & Co., Statutory Auditors in their Audit Report except a modified opinion in respect of application for approval to the Central Government for waiver of recovery of payment of excess remuneration paid to Executive Chairman, details of which are given below.

During the year, Company had made an application to Central Government (The Ministry of Corporate Affairs) seeking approval for the remuneration payable to the Executive Chairman due to inadequacy of profits for the financial year 2014-15. The Ministry of Corporate Affairs vide its letter dated 15<sup>th</sup> January, 2016 rejected the application on the ground that Company had paid remuneration exceeding 5% of net profits to the Executive Chairman during the financial years 2012-13 & 2013-14 without obtaining prior approval of the Central Government and further directed recovery of excess remuneration paid amounting to Rs. 20.04 million (Rs.13.10 million net of tax). Company was advised to make an application to the Central Government for seeking waiver of recovery of this amount and accordingly Company has made the requisite application to the Central Government. The said application is pending for approval and therefore Company has not recovered any amount nor accounted it as recoverable in the books of accounts as on 31<sup>st</sup> March, 2016. Your Company is also seeking approval of Members by way of postal ballot for the same.

There are also no qualifications, reservations or adverse remarks in the Secretarial Audit Report of M/s SVD & Associates, Partnership firm of Company Secretaries.

**ENERGY CONSERVATION**

Every year your Company adopts the best available technology and enhances energy efficiency of its operations to reduce energy consumption. Your Company is continually improving its operations to become more energy efficient. It also works on minimizing waste generated and adopting 5R (Reduce, Reuse, Recycle, Refuse & Recover) practices to reduce the impact on environment.

Your Company celebrates Energy Conservation Week and Environment Day every year. Your Company also organises various programmes on global warming, green house gas emissions (GHG emission), compressed air leakage, water conservation, e-waste recycling to create awareness amongst employees and society.

**AWARDS**

During the year under review, your Company has been appreciated for ENCON efforts by :

- 1<sup>st</sup> prize at 9<sup>th</sup> State Level EC Award to Hadapsar plant for financial year 2014-15 from MEDA (Maharashtra Energy Development Agency);
- National award by CII for Energy Efficient unit to Hadapsar plant; and
- Certificate of Merit to Saswad plant in National Energy Conservation Award 2015 competition by Government of India.

During the year under review, your Company has received:

- Gold Award Trophy in Quality Improvement Success Stories in Competition organized by Quality Circle Forum India.
- Awards in the 29<sup>th</sup> National Convention on Quality Concepts - NCQC2015 organised by QCFI.
  - ❖ 2 Nos. "Par Excellence Award Trophy".
  - ❖ 2 Nos. "Excellence Award Trophy".
- "Certificate of Merit" in recognition of its significant progress in Total Quality Management in Ravi Kirloskar Quality Prize for Business Excellence – 2014-15.
- "Supplier of EHS Excellence Award" received from GE Oil & Gas for the excellent and consistent performance in EHS practices for the last 4 years.

**DIRECTORS**

Dr Aditi Pant was appointed as an Independent Director on the Board in the last Annual General Meeting held on 29<sup>th</sup> July, 2015.

The Board of Directors have co-opted Dr Ajay Kumar Dua as an Additional Director on the Board with effect from 14<sup>th</sup> March, 2016. He ceases to be a Director at the ensuing Annual General Meeting and being eligible offers himself for appointment as an Independent Director for a period of 5 years. Details of the proposal for appointment of Dr Ajay Kumar Dua are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 41<sup>st</sup> Annual General Meeting.

The Company has received notice in writing proposing his candidature for the office of Director. The necessary resolution for his appointment is being placed before you.

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Your Company has received necessary declarations from all its Independent Directors stating that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr Rahul C Kirloskar, Executive Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr Rahul C Kirloskar, Executive Chairman has been appointed as Whole Time Director designated as Executive Chairman upto 22<sup>nd</sup> January, 2017. He is further appointed as Whole Time Director designated as Executive Chairman for a period of 5 years with effect from 23<sup>rd</sup> January, 2017 subject to approval of Members in the ensuing Annual General Meeting. Details of the proposal for appointment of Mr Rahul C Kirloskar are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 41<sup>st</sup> Annual General Meeting.

Mr Aditya Kowshik, Managing Director has been appointed as Managing Director upto 23<sup>rd</sup> October, 2016. He is further appointed as Managing Director for a period of 3 years with effect from 24<sup>th</sup> October, 2016 subject to approval of Members in the ensuing Annual General Meeting. Details of the proposal for appointment of Mr Aditya Kowshik are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 41<sup>st</sup> Annual General Meeting.

### **Board Evaluation**

The annual evaluation framework for assessing the performance of Directors comprises of the following key areas:

- a) Attendance for the meetings, participation and independence during the meetings.
- b) Interaction with Management.
- c) Role and accountability of the Board.
- d) Knowledge and proficiency.
- e) Strategic perspectives or inputs.

The evaluation involves assessment by the Nomination and Remuneration Committee and Board of Directors. A member of the Nomination and Remuneration Committee and Board does not participate in the discussion of his / her evaluation.

### **Directors Appointment and Remuneration Policy**

The Board has on the recommendation of the Nomination and Remuneration Committee framed a 'Remuneration Policy' for selection and appointment of Directors and for their remuneration. The Remuneration Policy is annexed as Annexure "1".

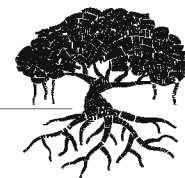
### **Number of Meetings of the Board**

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, five Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **Directors' Responsibility Statement**

To the best of their knowledge and belief and according to the information and explanation obtained by them, the Directors in terms of clause (c) of Sub-section (3) of Section 134 state that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures.
- (b) Accounting policies as mentioned in notes to the financial statements have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the profit of the Company for the year ended on that date.
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- (d) The annual accounts have been prepared on a going concern basis.
- (e) Proper internal financial controls have been laid down for the Company and that such internal financial controls are adequate and are operating effectively.
- (f) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

**AUDITORS****a. Statutory Auditors**

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, retire at the conclusion of the ensuing Annual General Meeting. As per Section 139 and other applicable provisions of the Companies Act, 2013 and rules made thereunder, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune are eligible for re-appointment for a term of five years from the conclusion of 41<sup>st</sup> Annual General Meeting till the conclusion of 46<sup>th</sup> Annual General Meeting subject to ratification at every Annual General Meeting. The requisite certificate pursuant to Section 139(1) of the Companies Act, 2013 has been received by the Company from M/s P G Bhagwat, Chartered Accountants. Resolution seeking Members approval for re-appointment of M/s P G Bhagwat, Chartered Accountants, Pune, is included at Item No. 4 of the Notice convening the 41<sup>st</sup> Annual General Meeting.

**b. Cost Auditors**

The Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant to audit the cost accounts of the Company for the financial year 2016-17 on a remuneration of Rs 5 Lacs.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant for the year ended on 31<sup>st</sup> March, 2017 is included at Item No. 5 of the Notice convening the 41<sup>st</sup> Annual General Meeting.

**c. Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s SVD & Associates, a partnership firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as "Annexure 2".

**CORPORATE GOVERNANCE**

The Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with a pre-eminent level of accountability, transparency and integrity. A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Regulation 34 (3) read with Part E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 alongwith Management Discussion and Analysis is annexed and forms part of the Annual Report.

**EXTRACT OF ANNUAL RETURN**

The extract of Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is annexed as "Annexure 3".

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All related party transactions except the transactions as mentioned in form AOC 2, which were entered into during the financial year were on an arm's length basis and in the ordinary course of business. The said form AOC 2 is annexed as "Annexure 4".

There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The statement that the transactions are at arm's length and in the ordinary course of business is supported by a certificate from the Managing Director. The Company has also obtained the certificate from a Chartered Accountant on periodical basis.

All Related Party Transactions have been placed before the Audit Committee for their approval and to the Board, as and when required. In certain cases prior omnibus approval of the Audit Committee is obtained on a yearly basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and

scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and independence, the Board has appointed an external Auditor, which reports to the Audit Committee of the Board on a periodic basis.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies for various functions of the Company. Based on the report of Internal Auditor, process owners undertake corrective action wherever required in their respective areas and thereby strengthen the controls further. Audit observations and actions taken thereof are presented to the Audit Committee of the Board.

During the year, Internal Financial controls laid down by the Board were tested for adequacy & effectiveness and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information. Statutory Auditors have also certified adequacy of internal financial controls system over financial reporting.

## **RISK MANAGEMENT**

The provisions related to the Risk Management Committee of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company. However the Company has a Corporate Risk Management Committee and Segment Level Risk Committees. The Company has a Risk Management framework to identify, evaluate business risks and opportunities. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The risk framework defines the risk management approach across the enterprise at various levels. To strengthen the risk management framework, Company has formed segment level risk committees to identify, analyze and mitigate the potential risks. The segment level risk committees report to the Corporate Risk Management Committee. The Corporate Risk Management Committee reports to the Audit Committee and the Board.

## **SUBSIDIARY COMPANY**

As on 31<sup>st</sup> March, 2016, the Company had one wholly owned subsidiary and an associate company.

Kirloskar RoadRailer Limited is a Wholly Owned Subsidiary of the Company. The Subsidiary Company is set up for providing RoadRailer Services. Your Company expects that the RoadRailer services will commence from the current financial year.

Kirloskar Chillers Private Limited is an Associate Company. The Company is engaged in manufacture of a wide range of chillers i.e. Centrifugal Screw and Reciprocating and their Spares and After Sales Service. During the year under review, the net revenue of Kirloskar Chillers Private Limited is Rs 822.24 million and profit after tax is Rs 75.45 million.

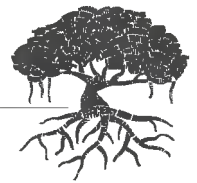
In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared a consolidated financial statement of the Company which includes its subsidiary and associate Company and forms part of the Annual Report. A statement containing salient features of the subsidiary and associate Company is also included in the Annual Report.

In accordance with third proviso of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company containing therein its standalone and consolidated financial statements has been placed on the website of the Company namely [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

## **CORPORATE SOCIAL INITIATIVES**

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Promoting Education, Health and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.





Sanitation, being a national agenda, your Company has taken initiative to create awareness about WaSH (water, sanitation and hygiene) among 8000 + school children from 17 nearby schools by deploying 110 employee volunteers and training these volunteers to implement various WaSH modules throughout the academic year.

Your Company has provided preventive health care to 15000+ school children from nearby 12 schools (8 schools in the vicinity of Hadapsar Plant and 4 schools in the vicinity of Saswad Plant) by offering them eye check up. Refractive error was identified in about 750 students who were given free spectacles, thus significantly improving their vision.

To create awareness about HIV AIDS in the general community (approximately reaching out to about 3000 people) by way of campaigns conducted by training 20 GET (Graduate Engineer Trainee) volunteers. HIV Positive Boot Camp was conducted to induct and train these GET volunteers and in turn HIV AIDS awareness campaigns were conducted for 1000 members of the general community and 2000 students from 5 Junior Colleges.

Your Company has contributed an amount of Rs 7.50 million by way of donation to the Corpus Fund of KIAMS for education, health and sanitation.



#### CSR Policy in brief:

The focus of CSR activities will be on Education, Environment and Health.

While devising projects, care should be taken to promote the education, health and sanitation, protect the environment and minimize adverse impact, if any, on the society at large.

The Company is committed to uphold the interests of all the stakeholders by implementing the various guidelines like business excellence models.

The Company shall spend at least 2% (two percent) of the average net profits, calculated in accordance with the provisions of the Companies Act, 2013, and Rules thereunder, made by it in three immediately preceding financial years, in every financial year.

Any income or surplus arising out of CSR activities undertaken by the Company will form part of the corpus earmarked for CSR activities.

Any surplus arising out of any of the CSR activities carried out by the Company will not be treated as part of the business profits of the Company.

The Annual Report on CSR activities is annexed herewith as "Annexure 5".

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure 6".



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## **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## **VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company has established a vigil mechanism for Directors and employees to report their genuine concerns, details of which have been given in the Corporate Governance Report.

## **PARTICULARS OF EMPLOYEES**

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed as Annexure 7 to this Report.

In accordance with the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees are available at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting and shall be made available to any shareholder on request.

## **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company is an equal opportunity employer and consciously strives to build work culture that promotes dignity of all employees. Awareness programmes were conducted across the company to sensitize the employees to uphold the dignity of their colleagues at their workplace, mainly with respect to prevention of sexual harassment.

Pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Rules issued thereunder, an Internal Committee constituted under the said Act has confirmed that no complaint / case has been filed / pending with the Company during the year.

## **EMPLOYEES**

Your Company has taken several initiatives for Human Resource development and retention. Manpower planning by classifying them into Frontend, Internal and Support functions is under way. Competency mapping, identifying training needs through the 70-20-10 format, career counseling and Management Development Programs are some of the initiatives adopted by your Company. Training programmes are designed to enhance skills, knowledge and behaviour. Employees are motivated through empowerment and rewards for good performance. Adoption of 5S across the Company has led to a clean and healthy environment. Though the Employee Engagement score has reduced slightly from 71% to 68%, the Company has a benchmark score on 11 out of the 21 engagement drivers.

Your Company has 817 permanent employees on its rolls as on 31<sup>st</sup> March, 2016.

## **ACKNOWLEDGEMENT**

The Directors wish to convey their appreciation to all your Company's employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers and all other stakeholders for their continued support and their confidence in its management.

For and on behalf of the Board of Directors

sd/-

**Rahul C Kirloskar**

Executive Chairman

DIN 00007319

Place : Pune

Date : 27<sup>th</sup> April, 2016

**Annexure “1” to the Board's Report****REMUNERATION POLICY****PHILOSOPHY:**

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling consistently high standard of Corporate Governance in all facets of the Company's operations.

The Company is committed to provide employment to all eligible applicants on the principles of equality without any discrimination.

The employees have to strictly follow code of ethics and the management practices a zero tolerance for the same.

**OBJECTIVE:**

- To strike the right balance in the composition of the Board of Directors by ensuring experts from different spectrum of the existing and/or future business environment are co-opted on the Board to help the Company achieve its objectives, aspirations and growth potential.
- To implement a transparent process of determining remuneration at Board and Senior Management level of the Company that would strengthen confidence of stakeholders in the Company and its management and help in creation of long - term value for them.
- To strike appropriate balance between the elements comprising the remuneration so as to attract and retain potential high performing candidates for critical position in the Company for attaining continual growth in business.
- To ensure a direct relationship with the Key Result Areas and individual achievements considering short as well as long term performance objectives appropriate to the working of the Company and its goals.

**COVERAGE:****A. Guidelines for Appointment:**

The Board of Directors shall comprise of persons who have expertise in the areas of business that the Company operates in and of such persons having expertise to help the Company to diversify its business at the appropriate times.

The Nomination and Remuneration Committee of the Board shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management level and recommend to the Board his / her appointment.

A person to be appointed as Director, KMP or Senior Management level should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

**B. Guidelines of determining remuneration of:**

- I. Directors
- II. Key Managerial Personnel (excluding Directors) and Senior Management Personnel

**I. DIRECTORS****i. Executive Directors:**

The Board of Directors of the Company shall decide the remuneration of Executive Directors on the basis of recommendation from Nomination & Remuneration Committee (N&RC) subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto ('the Act') and compliance of related provisions provided therein.

The remuneration shall be approved by the shareholders of the Company as and when required.

The Company shall enter into a contract with every executive director which will set out the terms and conditions of the performance of the role and the key indicators and criteria for assessing their performance. The contract shall be recommended by the N&RC and approved by the Board. The contract shall be maximum for such tenure as may be provided in the Act subject to such approvals as may be required.

Board may vary any terms and conditions of the contract subject to such approvals, as may be required under the Act.

Every notice sent to the shareholder for seeking their approval for appointment / re-appointment / remuneration of the director shall contain the gist of terms and conditions of the contract.



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The remuneration components shall include:

a. Fixed salary:

Each Executive Director shall be paid fixed salary consisting of basic salary and such allowances and perquisites as may be decided by Board.

OPTION 1: The revision in the salary may be annually done and shall be determined by the Board as per the appraisal of the performance of each Executive Director by the Board, subject to overall limit approved by the shareholders.

OPTION 2: The salary shall remain fixed for the term of the Executive Director.

b. Commission:

The Board may approve payment of commission subject to the provisions of the Act. The amount of commission to be paid to Executive Director(s) shall be recommended by the N&RC on the basis of the performance evaluation carried out in respect of such Executive Director(s).

c. Perquisites / Other Benefits:

The Executive Director(s) may be entitled to club membership, company vehicle with driver, petrol reimbursement, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bill, fully furnished accommodation (in case of use of own residential property for accommodation, house rent allowance shall be paid), furnishings, reimbursement of house maintenance expenditure, reimbursement of gas, electricity bill, water & other utilities and repairs at residence, reimbursement of medical expenditure for self and family and leave travel assistance.

Executive Director(s) may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.

d. Stock options:

Executive Director(s) except promoter directors may be granted stock options as may be approved by the Board, if they are eligible as per any scheme of stock options declared by the Company in the future.

e. Compensation for loss of office may be paid as may be approved by the Board subject to the provisions of Section 202 of the Act.

f. Separation / Retirement benefits:

Executive Director(s) shall be eligible to the retirement benefits like Contribution to provident fund as per Company Rules, Superannuation Fund as per Company Policy and Gratuity one month each completed year of service and encashment of leave at the end of tenure.

Executive Director(s) shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration provided in the Act in the event of inadequacy of profits in terms of Section IV of Part II of Schedule V of the Act:

(a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961 or any amendment thereof.

(b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and

(c) Encashment of leave at the end of the tenure.

ii. **Non Executive Directors:**

The Company shall issue a letter of engagement or appointment to every Non Executive Director. The components of payment of remuneration to Non Executive Directors shall be as follows:

a. Sitting fees :

Sitting fees shall be paid for Board Meetings and/or any Committee Meetings attended by the Director. Different amount of sitting fees may be paid for different types of meetings.

Sitting fees shall be over and above the limits prescribed in the Act for payment of remuneration but shall not exceed the amount as may be prescribed in the Rules for payment of sitting fees.

The disclosure of the total payment of sitting fees for all types of meetings shall be made in the Annual Report of the Company.

Committee shall include Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such Committees as may be constituted by the Board from time to time.



- b. **Commission:**  
The Board may approve payment of commission subject to the provisions of the Act. The amount of commission to be paid to Non-Executive Director(s) shall be recommended by the N&RC on the basis of annual performance evaluation carried out in respect of such Non-Executive Director(s).
- c. **Stock Options:**  
Independent Directors & Promoter Directors shall not be entitled for stock options of the Company.
- d. **Professional fees:**  
Non independent directors may be paid fees for services of professional nature, if in the opinion of N&RC, the director possesses the requisite qualification for the practice of the profession. The professionals shall be deemed to be possessing requisite qualification and the N&RC is not required to give its opinion, if the director is any of the professional and renders his services to the company in that capacity. Such professional fees shall not be considered as remuneration for the purpose of Act.

**EXCESS REMUNERATION:**

The Board of Directors may decide to remunerate the Director/s beyond the overall limits provided under the Companies Act, subject to compliance of provisions in this regard including obtaining approval of Central Government, if required, owing to loss incurred by the Company or inadequacy of profits and / or situation entails providing such remuneration.

**WAIVING OF EXCESS REMUNERATION:**

Any remuneration or sitting fees paid, whether directly or indirectly, to any director whether executive or not beyond the limits prescribed under the Act and for which approval of the shareholders or Central Government is not obtained, if required to be obtained, the same shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

The Company shall not, in any case, waive the recovery of any such sum unless specific permission is obtained from Central Government for waiving such excess payment.

**II. KEY MANAGERIAL PERSONNEL (EXCLUDING DIRECTORS) & SENIOR MANAGEMENT**

For the purpose of this Policy, Key Managerial Personnel includes Chief Executive Officer, Manager, Chief Financial Officer, Company Secretary and such other officers as may be prescribed from time to time.

The Company shall issue an appointment letter to every Key Managerial Personnel (KMP) / Senior Management Personnel (SMP).

The remuneration components may be:

- a. **Fixed salary:**  
Each KMP and SMP shall be paid fixed salary consisting of basic salary and such allowances and perquisites as per service rules of the Company. The band of the salary shall be determined according to the industry standards, market conditions, scale of Company's business relating to the position, educational qualification parameters and personal experience in the industry as detailed in the service rules of the Company and such other factors as may be prescribed therein.  
The same shall be reviewed annually based on the Company's annual appraisal policy.
- b. **Variable pay:**  
Variable pay to every KMP and SMP shall be as per the Performance Linked Pay Scheme / Incentive Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment of Company, Unit and Individual objectives.  
Every KMP and SMP shall be entitled for variable compensation, based on responsibility of the position and performance of the organization as detailed in the Performance Linked Pay Scheme / Incentive Scheme.  
The variable pay shall be payable at the end of every quarter based on absolute & relative performance of the Company and Business Units. The performance will be measured on the basis of contribution made by the respective Business Unit to the Sales of the Company and Contribution earned by the respective Business Unit while arriving at bottom line of Company.  
The performance parameters & its evaluation:
- i. **Company Level parameters:**  
Company level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.

- 
- ii. **Business Unit level parameters:**  
Business Unit level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.
  - iii. **Corporate Functional & Sector shared services parameters & its evaluation:**  
The average of Business Unit performance & Company level performance shall be applicable for all the corporate functions & sector shared services.  
The entitlement as per the Performance Linked Variable Pay Scheme shall be disclosed in the appointment letter. Variable Pay is assessed on quarterly basis and the same is paid in the salary of a month following the quarter ending month. The particulars of the payment shall be communicated to the concerned in his/her salary slip relevant for the month in which the variable pay is paid.
  - c. **Perquisites / Other Benefits:**  
Perquisites / Other Benefits to KMP and SMP may include club membership, company vehicle, petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill, furnishings, reimbursement of medical expenditure for self and family and leave travel assistance.  
KMP and SMP may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.
  - d. **Annual Pay Revision / Promotion:**  
There are Key Result Areas which will be set in the beginning of the year for every quarter in consultation with the executive director and the performance appraisal shall be done in the format provided by the HR department. Based on this annual pay revision and/or promotion will be decided.
  - e. **Stock options:**  
To motivate executives to pursue long term growth and objectives of the Company, the executive directors may nominate KMP and SMP for receiving stock options on the basis of the eligibility criterion of any scheme of stock options, if any, declared in future by the Company.
  - f. **Compensation for loss of office may be paid as may be set out in the appointment letter.**
  - g. **Separation / Retirement benefits:**  
Separation / Retirement benefits as per Company policy which shall include contribution to provident fund, superannuation, gratuity and leave encashment.

**DIRECTORS' & OFFICERS LIABILITY INSURANCE:**

The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or trust for which they may be guilty in relation to the Company, the premium paid on such insurance shall not be treated as part of remuneration payable to such personnel. Provided that if such person is proved to be guilty, the premium paid shall be treated as part of remuneration.

**CONSULTANTS & ADVISORS:**

The N&RC may take services of such consultants & advisors as may be required to assist in determination of optimum remuneration structure and evaluation of the same for the Company's Directors and senior management and shall have the authority to approve the fees payable to such consultants & advisors.

The N&RC shall have access to data of the Company relating to annual operating plan, management & leadership programs, employee survey, initiatives, operational reviews for purpose of undertaking their terms of reference and providing such recommendations as are required under the policy and take such assistance from the Head of the Human Resource Department as may be required for assessing the effectiveness and performance of any employee covered under the policy.

For Kirloskar Pneumatic Co. Ltd.

sd/-

**Rahul C Kirloskar**

Executive Chairman

DIN 00007319

**Annexure "2" to the Board's Report****SVD & ASSOCIATES  
COMPANY SECRETARIES**

4th Floor, Vedwati Apartments, Shivajinagar, Pune- 411005  
Telephone:020-69000666,email:deulkarcs@gmail.com

**Form No. MR-3  
SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule no.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,  
Kirloskar Pneumatic Company Limited  
Hadapsar Industrial Estate, Pune - 411013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kirloskar Pneumatic Company Limited** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31<sup>st</sup> March, 2016** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31<sup>st</sup> March, 2016** according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder (**in so far as they are made applicable**);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (**not applicable to the Company during the Audit Period**);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (upto 14<sup>th</sup> May 2015) and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (effective from 15<sup>th</sup> May 2015);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (**not applicable to the Company during the Audit Period**);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (**not applicable to the company during the Audit Period**);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**not applicable to the company during the Audit Period**);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents)

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**not applicable to the company during the Audit Period**); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**not applicable to the company during the Audit Period**);
- (vi) No law is specifically applicable to the Company.

We have also examined compliance with the applicable clauses and regulations of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India with effect from 1<sup>st</sup> July, 2015;
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) till 30th November, 2015; and the provision of sub regulation (4) of the Regulation 23 and Regulation 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable from 2nd September, 2015; and
- (iii) The Listing Agreement entered into by the Company with Stock Exchange(s) pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from 1st December, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period:

1. The Company became the subsidiary company of Pneumatic Holdings Limited as per the composite scheme of arrangement and amalgamation between Kirloskar Brothers Investments Limited, Kirloskar Oil Engines Limited and Pneumatic Holdings Limited approved by the Bombay High Court with effect from 30<sup>th</sup> June, 2015.
2. The Company had made an application to the Central Government (The Ministry of Corporate Affairs) seeking approval for the remuneration payable to the Executive Chairman due to inadequacy of profits for the financial year 2014-15. The Ministry of Corporate Affairs vide its letter dated January 15, 2016 rejected the application on the ground that Company had paid remuneration exceeding 5% of net profits to the Executive Chairman during the financial years 2012-13 & 2013-14 without obtaining prior approval of the Central Government and further directed recovery of excess remuneration paid amounting to Rs. 200.39 Lacs (Rs.131.04 Lacs net of tax). Company was advised to prefer an application to the Central Government for waiver of recovery of this amount and accordingly Company has made the requisite application to the Central Government. The said application is pending for approval and therefore Company has not recovered any amount nor accounted it as recoverable in the books of accounts as on 31<sup>st</sup> March 2016.

For **SVD & Associates**  
Company Secretaries  
sd/-  
**S. V. Deulkar**  
Partner  
FCS 1321  
CP No.: 965

Place : Pune  
Date : 27<sup>th</sup> April, 2016

Note : This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.



To,  
Members,  
Kirloskar Pneumatic Company Limited  
Hadapsar Industrial Estate,  
Pune-411013

Our Secretarial Audit Report of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

**Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Pune  
Date : 27<sup>th</sup> April, 2016

For **SVD & Associates**  
Company Secretaries  
sd/-  
**S. V. Deulkar**  
Partner  
FCS 1321  
CP No.: 965

## “Annexure 3” to the Board's Report

### EXTRACT OF ANNUAL RETURN

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS

i	CIN	L29120PN1974PLC110307
ii	Registration Date	8 <sup>th</sup> November, 1974
iii	Name of the Company	Kirloskar Pneumatic Company Limited
iv	Category / Sub-Category of the Company	Public Company / Limited by shares
v	Address of the Registered Office and contact details	Hadapsar Industrial Estate, Pune 411 013 Tel: +91(0) 20 - 26727000 Fax: +91(0) 20 - 26870297 Email: sec@kpcl.net Website: www.kirloskarkpcl.com
vi	Whether listed company	Yes
vii	Name, address and contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited “Akshay” Complex, Block No. 202, 2nd Floor, Near Ganesh Temple, Off. Dhole Patil Road, Pune 411 001 Tel: +91(0) 20 - 26161629/26160084 Fax: +91(0) 20 - 26163503 Email: pune@linkintime.co.in

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company stated below:-

Sr. No.	Name and description of main products / services	* NIC code of the product / service	% to total turnover of the Company
1.	Compression Segment Compressors	28132	88.91
2.	Transmission Segment Gears and Gear boxes	28140	11.09

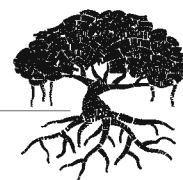
\*As per NIC 2008 Group code

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Pneumatic Holdings Ltd ** Survey No. 13, 156 Kothrud, Pune 411 029	U65993PN2014PLC152566	Holding	54.45%	2(46)
2.	Kirloskar RoadRailer Ltd Hadapsar Industrial Estate, Pune 411013	U35990PN2008PLC132445	Subsidiary	100.00%	2(87)
3.	Kirloskar Chillers Pvt Ltd Office # 104, 1st Floor, Tower P3, Pentagon, Magarpatta City Pune 411 028	U29191PN1995PTC095733	Associate	34.21%	2(6)

\*\* Kirloskar Brothers Investments Ltd (Holding Company) stands dissolved with effect from 30<sup>th</sup> June, 2015, as per Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Ltd, Kirloskar Oil Engines Ltd and Pneumatic Holdings Ltd as approved by the Hon'ble Bombay High Court on 30<sup>th</sup> April, 2015. Pursuant to Order, the entire shares of the Company held by Kirloskar Brothers Investments Ltd became shares of Pneumatic Holdings Ltd.



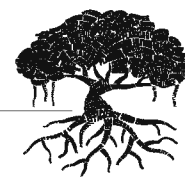


**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**i) Category-wise Share Holding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters*</b>									
<b>(1) Indian</b>									
a) Individual / Hindu Undivided Family	537,157	Nil	537,157	4.18	537,157	Nil	537,157	4.18	0.00
b) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corporate	8,182,967	Nil	8,182,967	63.71	8,182,542	Nil	8,182,542	63.71	0.00
e) Bank / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Sub-total (A) (1) :-</b>	<b>8,720,124</b>	<b>Nil</b>	<b>8,720,124</b>	<b>67.89</b>	<b>8,719,699</b>	<b>Nil</b>	<b>8,719,699</b>	<b>67.89</b>	<b>0.00</b>
<b>(2) Foreign</b>									
a) Non Resident Indians – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Sub-total (A) (2):-</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Total Shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>8,720,124</b>	<b>Nil</b>	<b>8,720,124</b>	<b>67.89</b>	<b>8,719,699</b>	<b>Nil</b>	<b>8,719,699</b>	<b>67.89</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	2,276,617	7,375	2,283,992	17.78	2,314,965	7,375	2,322,340	18.08	0.30
b) Banks / Financial Institutions	335	611	946	0.01	335	611	946	0.01	0.00
c) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	78,952	5,450	84,402	0.66	28,851	5,450	34,301	0.27	(0.39)
g) Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others (Specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Sub-total (B)(1)</b>	<b>2,355,904</b>	<b>13,436</b>	<b>2,369,340</b>	<b>18.45</b>	<b>2,344,151</b>	<b>13,436</b>	<b>2,357,587</b>	<b>18.36</b>	<b>(0.09)</b>
<b>2. Non-Institutions</b>									
a) Body Corporate	354,237	13,228	367,465	2.86	364,333	13,228	377,561	2.94	0.08
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 Lac	722,072	414,552	1,136,624	8.85	953,637	142,241	1,095,878	8.53	(0.32)
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lac	212,163	Nil	212,163	1.65	254,561	Nil	254,561	1.98	0.33
c) Others (Specify)									
a. NRI	35,790	265	36,055	0.28	28,832	265	29,097	0.23	(0.05)
b. Clearing members	2,566	Nil	2,566	0.02	9,954	Nil	9,954	0.08	0.06
c. Trusts	1	Nil	1	0.00	1	Nil	1	0.00	0.00
<b>Sub-total (B)(2) :-</b>	<b>1,326,829</b>	<b>428,045</b>	<b>1,754,874</b>	<b>13.66</b>	<b>1,611,318</b>	<b>155,734</b>	<b>1,767,052</b>	<b>13.76</b>	<b>(0.10)</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>3,682,733</b>	<b>441,481</b>	<b>4,124,214</b>	<b>32.11</b>	<b>3,955,469</b>	<b>169,170</b>	<b>4,124,639</b>	<b>32.11</b>	<b>0.00</b>
<b>C. Shares held by custodian for GDRs &amp; ADRs</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Grand Total (A+B+C)</b>	<b>12,402,857</b>	<b>441,481</b>	<b>12,844,338</b>	<b>100.00</b>	<b>12,675,168</b>	<b>169,170</b>	<b>12,844,338</b>	<b>100.00</b>	<b>0.00</b>



**ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	
1	*Kirloskar Brothers Investments Ltd (upto 30 <sup>th</sup> June 2015) Pneumatic Holdings Ltd (wef 30 <sup>th</sup> June 2015)	6,994,176	54.45	0.00	6,994,176	54.45	0.00	0.00
2	Kirloskar Industries Ltd	1,186,866	9.24	0.00	1,186,866	9.24	0.00	0.00
3	Mr Gautam Achyut Kulkarni J/w Mrs Jyotsna Gautam Kulkarni	135,522	1.06	0.00	135,522	1.06	0.00	0.00
4	Mr Rahul C Kirloskar J/w Mrs Alpana Rahul Kirloskar	115,309	0.90	0.00	115,309	0.90	0.00	0.00
5	Mr Atul C Kirloskar J/w Mrs Arti Atul Kirloskar	114,330	0.89	0.00	114,330	0.89	0.00	0.00
6	Mrs Alpana Rahul Kirloskar J/w Mr Rahul C Kirloskar	93,754	0.73	0.00	93,754	0.73	0.00	0.00
7	Mrs Arti Atul Kirloskar J/w Mr Atul C Kirloskar	40,000	0.31	0.00	40,000	0.31	0.00	0.00
8	Mrs Jyotsna Gautam Kulkarni J/w Mr Gautam Achyut Kulkarni	25,125	0.20	0.00	25,125	0.20	0.00	0.00
9	Miss Alika Rahul Kirloskar J/w Mr Rahul C Kirloskar	12,152	0.09	0.00	12,152	0.09	0.00	0.00
10	Cees Investments & Consultants Pvt Ltd	1,350	0.01	0.00	1,350	0.01	0.00	0.00
11	Mrs Alpana Rahul Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	537	0.00	0.00	537	0.00	0.00	0.00
12	Karad Projects and Motors Ltd	425	0.00	0.00	0	0.00	0.00	100.00
13	Mr Rahul C Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	270	0.00	0.00	270	0.00	0.00	0.00
14	Miss Rama Sanjay Kirloskar J/w Mr Sanjay C Kirloskar	125	0.00	0.00	125	0.00	0.00	0.00
15	Alpak Investments Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
16	Navsai Investments Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
17	Achyut and Neeta Holdings and Finance Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
18	Miss Gauri Atul Kirloskar J/w Mr Atul C Kirloskar	33	0.00	0.00	33	0.00	0.00	0.00
	<b>Total</b>	<b>8,720,124</b>	<b>67.89</b>	<b>0.00</b>	<b>8,719,699</b>	<b>67.89</b>	<b>0.00</b>	<b>0.00</b>

- Notes -
1. The above list does not include the name of the Promoter and Promoter Group who are not holding any shares of the Company.
  2. The above list is based on folio-wise.
  3. \*Kirloskar Brothers Investments Ltd (Holding Company) stands dissolved with effect from 30<sup>th</sup> June, 2015, as per Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Ltd, Kirloskar Oil Engines Ltd and Pneumatic Holdings Ltd as approved by the Hon'ble Bombay High Court on 30<sup>th</sup> April, 2015. Pursuant to Order, the entire shares of the Company held by Kirloskar Brothers Investments Ltd became shares of Pneumatic Holdings Ltd.

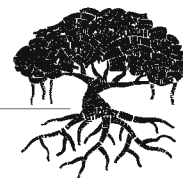
iii) **Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.	Particular	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	8,720,124	67.89	8,720,124	67.89
	Decrease on 31/03/2016 –Transfer	425	0.00	8,719,699	67.89
	At the end of the year	8,719,699	67.89	8,719,699	67.89

Note- 1. In case of shares held in dematerialized form, the date of increase / decrease in shareholding corresponds to the date of Benpos provided by the Depositories i.e. NSDL & CDSL.

(iv) **Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

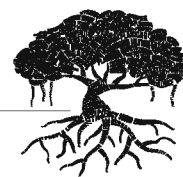
Sl. No	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
1	<b>Reliance Capital Trustee Co. Limited A/c Reliance Diversified Power Sector Fund</b>					
	At the beginning of the year [01/04/2015]		828,867	6.45	828,867	6.45
	Increase as on 10/04/2015	Transfer	850	0.01	829,717	6.46
	Increase as on 26/06/2015	Transfer	1,000	0.01	830,717	6.47
	Increase as on 28/08/2015	Transfer	3,000	0.02	833,717	6.49
	Decrease as on 08/01/2016	Transfer	(24,861)	(0.19)	808,856	6.30
	Increase as on 05/02/2016	Transfer	1,600	0.01	810,456	6.31
	At the end of the year [31/03/2016]		810,456	6.31	810,456	6.31
2	<b>HDFC Trustee Company Limited - HDFC Tax Saver Fund</b>					
	At the beginning of the year [01/04/2015]		506,706	3.94	506,706	3.94
	Increase as on 31/07/2015	Transfer	120,000	0.93	626,706	4.88
	Decrease as on 11/12/2015	Transfer	(126,706)	(0.99)	500,000	3.89
	At the end of the year [31/03/2016]		500,000	3.89	500,000	3.89
3	<b>IDFC Premier Equity Fund</b>					
	At the beginning of the year [01/04/2015]		414,367	3.23	414,367	3.23
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2016]		414,367	3.23	414,367	3.23



Sl. No	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
4	<b>HDFC Trustee Company Limited-HDFC Prudence Fund</b>					
	At the beginning of the year [01/04/2015]		108,145	0.84	108,145	0.84
	Increase as on 03/04/2015	Transfer	992	0.01	109,137	0.85
	Increase as on 01/05/2015	Transfer	11,768	0.09	120,905	0.94
	Increase as on 29/05/2015	Transfer	25,683	0.20	146,588	1.14
	Increase as on 26/06/2015	Transfer	904	0.01	147,492	1.15
	Increase as on 03/07/2015	Transfer	1,123	0.01	148,615	1.16
	Increase as on 17/07/2015	Transfer	2,800	0.02	151,415	1.18
	Increase as on 24/07/2015	Transfer	4,725	0.04	156,140	1.22
	Increase as on 07/08/2015	Transfer	2,700	0.02	158,840	1.24
	Increase as on 14/08/2015	Transfer	14,350	0.11	173,190	1.35
	Increase as on 30/09/2015	Transfer	15,000	0.11	188,190	1.46
	Increase as on 30/10/2015	Transfer	2,000	0.02	190,190	1.48
	Increase as on 11/12/2015	Transfer	100,000	0.78	290,190	2.26
At the end of the year [31/03/2016]		290,190	2.26	290,190	2.26	
5	<b>Reliance Capital Trustee Co. Limited A/c Reliance Small Cap Fund</b>					
	At the beginning of the year [01/04/2015]		273,804	2.13	273,804	2.13
	Increase as on 19/06/2015	Transfer	1,095	0.01	274,899	2.14
	Increase as on 28/08/2015	Transfer	325	0.00	275,224	2.14
	At the end of the year [31/03/2016]		275,224	2.14	275,224	2.14
6	<b>Amrit Petroleums Private Limited</b>					
	At the beginning of the year [01/04/2015]		Nil	Nil	Nil	Nil
	Increase as on 10/07/2015	Transfer	136,091	1.06	136,091	1.06
	Decrease as on 08/01/2016	Transfer	(6,124)	(0.05)	129,967	1.01
	At the end of the year [31/03/2016]		129,967	1.01	129,967	1.01
7	<b>Arun Nahar</b>					
	At the beginning of the year [01/04/2015]		56,300	0.44	56,300	0.44
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2016]		56,300	0.44	56,300	0.44

Sl. No	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
8	<b>Mukesh Babu Financial Services Limited</b>					
	At the beginning of the year [01/04/2015]		50,000	0.39	50,000	0.39
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2016]		50,000	0.39	50,000	0.39
9	<b>Neeta Jatin Jhaveri J/w Avani Hemal Jhaveri</b>					
	At the beginning of the year [01/04/2015]		Nil	Nil	Nil	Nil
	Increase as on 31/03/2016	Transfer	42,813	0.33	42,813	0.33
	At the end of the year [31/03/2016]		42,813	0.33	42,813	0.33
10	<b>Hina J Parekh</b>					
	At the beginning of the year [01/04/2015]		Nil	Nil	Nil	Nil
	Increase as on 25/09/2015	Transfer	1,751	0.01	1,751	0.01
	Increase as on 30/09/2015	Transfer	2,249	0.02	4,000	0.03
	Increase as on 09/10/2015	Transfer	41	0.00	4,041	0.03
	Increase as on 30/10/2015	Transfer	3,157	0.02	7,198	0.05
	Increase as on 06/11/2015	Transfer	5,150	0.04	12,348	0.09
	Increase as on 13/11/2015	Transfer	690	0.01	13,038	0.10
	Increase as on 20/11/2015	Transfer	1,635	0.01	14,673	0.11
	Increase as on 27/11/2015	Transfer	2,366	0.02	17,039	0.13
	Increase as on 11/12/2015	Transfer	1,961	0.02	19,000	0.15
	Increase as on 18/12/2015	Transfer	21,000	0.16	40,000	0.31
	At the end of the year [31/03/2016]		40,000	0.31	40,000	0.31

- Notes: 1. In case of shares held in dematerialized form, the date of increase / decrease in shareholding corresponds to the date of Benpos provided by the Depositories i.e. NSDL & CDSL.
2. The above list is based on information of shareholders folio wise.



**(v) Shareholding of Directors and Key Managerial Personnel:**

SI No	Particulars	Mr Rahul C Kirloskar Executive Chairman				Mr Atul C Kirloskar Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	115,579	0.90	115,579	0.90	114,330	0.89	114,330	0.89
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	115,579	0.90	115,579	0.90	114,330	0.89	114,330	0.89

Note :

- The above shareholding is considered in the name of first holder only.

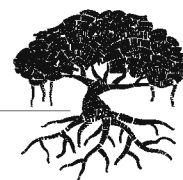
SI No	Particulars	Mr Vikram S Kirloskar Non-Executive Director				Mr D R Swar Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



SI No	Particulars	Mr A C Mukherji Non-Executive & Independent Director				Mr P S Jawadekar Non-Executive & Independent Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

SI No	Particulars	Mr G K Rao Non-Executive & Independent Director				Mr Sunil Shah Singh Non-Executive & Independent Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	1,000	0.01	1,000	0.01
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	1,000	0.01	1,000	0.01

Note : 1. The above shareholding is considered in the name of first holder only.



SI No	Particulars	Dr Aditi Pant Non-Executive & Independent Director				Dr Ajay Kumar Dua Additional Director (wef 14 March 2016)			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	NA	NA	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	NA	NA	Nil	Nil

SI No	Particulars	Mr Aditya Kowshik Managing Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year			
	At the end of the year	Nil	Nil	Nil	Nil

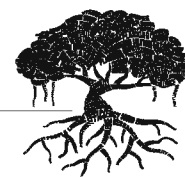
SI No	Particulars	Mr Suhas S Kolhatkar Vice President & Chief Financial Officer				Mr Jitendra Shah Company Secretary			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	208	0.00	208	0.00	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	208	0.00	208	0.00	Nil	Nil	Nil	Nil

Note : 1. The above shareholding is considered in the name of first holder only.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	NIL			
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				
<b>Change in Indebtedness during the financial year</b>				
• Addition	NIL			
• Reduction				
<b>Net Change</b>				
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	NIL			
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				


**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration of Managing Director, Whole-time Directors and/or Manager: (Amount in Rs.)**

Sl. No.	Particulars of Remuneration	Name of Managing Director / Whole Time Director / Manager		Total Amount
		Mr Rahul C Kirloskar Executive Chairman	Mr Aditya Kowshik Managing Director	
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	12,000,000	6,600,000	18,600,000
	b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	3,203,610	941,906	4,145,516
	c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others : Commission *	8,500,000	8,000,000	16,500,000
5.	Others, please specify Contribution to Funds	2,540,000	2,120,000	4,660,000
	<b>Total (A)</b>	<b>26,243,610</b>	<b>17,661,906</b>	<b>43,905,516</b>
	Ceiling as per the Act	Being 10% of the Net Profit of the Company calculated as per Sec. 198 of the Companies Act, 2013		53,279,837

\* Payable only on adoption of accounts in the ensuing Annual General Meeting.

**B. Remuneration to other Directors: (Amount in Rs.)**

Sl. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Mr A C Mukherji	Mr P S Jawadekar	Mr G K Rao	Mr Sunil Shah Singh	Dr Aditi Pant	Dr Ajay Kumar Dua	
1.	Independent Directors							
	Fee for attending board / committee meetings	500,000	600,000	625,000	375,000	300,000	50,000	2,450,000
	* Commission	925,000	925,000	925,000	300,000	300,000	60,000	3,435,000
	Others, please specify	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>1,425,000</b>	<b>1,525,000</b>	<b>1,550,000</b>	<b>675,000</b>	<b>600,000</b>	<b>110,000</b>	<b>5,885,000</b>
2.	Other Non-Executive Directors							
	Fee for attending board / committee meetings	250,000	50,000	525,000				825,000
	* Commission	300,000	60,000	300,000				660,000
	Others, please specify	-	-	-				-
	<b>Total (2)</b>	<b>550,000</b>	<b>110,000</b>	<b>825,000</b>				<b>1,485,000</b>
	<b>Total (B) = (1+2)</b>							<b>7,370,000</b>
	Overall Ceiling as per the Act	Being 1% of the Net Profit of the Company calculated as per Sec. 198 of the Companies Act, 2013, excluding sitting fees paid to Non-Executive Directors						5,327,984

\* Payable only on adoption of accounts in the ensuing Annual General Meeting.

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director

(Amount in Rs.)

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Mr Suhas S Kolhatkar Vice President & Chief Financial Officer	Mr Jitendra Shah Company Secretary	Total
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	6,421,010	1,601,604	8,022,614
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	121,135	-	121,135
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify .....	-	-	-
5.	Others, please specify Contribution to Statutory Funds	481,030	171,343	652,373
	<b>Total</b>	<b>7,023,175</b>	<b>1,772,947</b>	<b>8,796,122</b>

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			<b>NIL</b>		
Punishment					
Compounding					



**Annexure “4” to the Board's Report**

**Form No. AOC-2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis

Sr. No.	Particulars	Transaction 1	Transaction 2
(a)	Name(s) of the related party and nature of relationship	Ms Alika R Kirloskar	Ms Aditi A Kirloskar
(b)	Nature of contracts / arrangements / transactions	Appointment as Manager- Business Development - In Kirloskar Chillers Private Limited, Associate Company (office or place of profit)	Appointment as Director - In Kirloskar Chillers Private Limited, Associate Company (office or place of profit)
(c)	Duration of the contracts / arrangements / transactions	w.e.f. 1 <sup>st</sup> November, 2015	w.e.f. 26 <sup>th</sup> April, 2016
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Entitled to salary as per the Associate Company's Policy and provisions of the Companies Act, 2013. However, will not exceed Rs. 2,50,000/- per month.	Entitled to remuneration as per the provisions of the Companies Act, 2013. However, will not exceed Rs. 2,50,000/- per month.
(e)	Justification for entering into such contracts or arrangement or transactions	Business requirement	Business requirement
(f)	Date(s) of approval by the Board	27 <sup>th</sup> October, 2015	14 <sup>th</sup> March, 2016
(g)	Amount paid as advances, if any:	NA	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	NA	

2. Details of material contracts or arrangement or transactions at arm's length basis

Sr. No.	Particulars	Applicability
(a)	Name(s) of the related party and nature of relationship	NIL
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any:	

For and on behalf of the Board of Directors

sd/-

**Rahul C Kirloskar**  
Executive Chairman  
DIN 00007319

Place : Pune

Date : 27<sup>th</sup> April, 2016

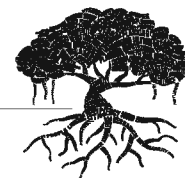
## Annexure “5” to the Board's Report

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and Projects or Programs - The CSR Policy is stated herein below:  
Weblink <http://www.kirloskarkpcl.com/Pdf/company-policies/CSR-Policy.pdf>
2. The Composition of the CSR Committee -  
The CSR Committee consists of :  
Mr Rahul C Kirloskar (Chairman).  
Mr Aditya Kowshik  
Dr Aditi Pant  
Mr P S Jawadekar
3. Average net profit of the Company for last three financial years : Rs. 493.30 million
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs. 9.87 million towards CSR
5. Details of CSR spent during the financial year
  - a. Total amount spent for the financial year: Rs. 10.02 million
  - b. Amount unspent, if any: NIL
  - c. Manner in which the amount spent during the financial year is detailed below

(Rs. in million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Contribution by way of donation to corpus fund for promotion of education, health and sanitation.	Promoting Education	Pune (Maharashtra)	7.50	7.50	7.50	7.50
2	Promoting preventive health care of approximately 15,000 + students from 12 schools located in Hadapsar and Saswad from where the Company operates.	Promoting Preventive Health Care	Pune (Maharashtra)	1.60	1.61	1.61	1.61



(Rs. in million)

(1) S. No.	(2) CSR Project or activity identified	(3) Sector in which the Project is covered	(4) Projects or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise	(6) Amount spent on the projects or programs	(7) Cumulative expenditure upto the reporting period	(8) Amount spent: Direct or through implementing agency
3	Creating awareness for HIV AIDS amongst different sections of the society reaching ~ 1,000 citizens in Pune city and 2,000 Junior College Students covered. Supporting nutrition programmes for ~70 people living with HIV. 20 Company employees volunteered in this program.	Health Care	Pune (Maharashtra)	0.40	0.40	0.40	0.40
4	Water, Sanitation & Hygiene awareness created by over 110 Company employees among 8,000+school students from 17 schools located in the vicinity of Hadapsar, Saswad and Nashik from where the company operates .	Sanitation	Pune & Nashik (Maharashtra)	0.50	0.51	0.51	0.51
<b>TOTAL</b>				<b>10.00</b>	<b>10.02</b>	<b>10.02</b>	<b>10.02</b>

Details of implementing agency: Kirloskar Institute of Advanced Management & Studies (KIAMS) and Deep Griha Society.

CSR Committee states that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For Kirloskar Pneumatic Co. Ltd.

Sd/-

Aditya Kowshik

(Managing Director)

DIN 00228983

For Kirloskar Pneumatic Co. Ltd.

Sd/-

Rahul C Kirloskar

(Executive Chairman &

Chairman of CSR Committee)

DIN 00007319

Place : Pune

Date : 27<sup>th</sup> April, 2016



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## Annexure “6” to the Board's Report

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

[Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]

Conservation of natural resources and environment protection is of utmost importance. Company's commitment to energy conservation is evident from consistent implementation and recognition of our ENCON projects.

#### (A) Conservation of Energy -

- i. **The steps taken or impact on conservation of Energy:** Total 31 Nos. ENCON projects implemented by using new technology, by waste elimination, by reuse and recycling in different areas like power, process, lighting, natural resources. Some of the projects are as under.

##### a. Continuous projects

- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- Maintain Unity Power Factor and avail 7% incentive benefit from MSEDCL on Electricity Consumption.
- Maximum demand control through remote control operation.
- Transformer of 1 MW gear testing to be put off during no load and on holidays to avoid no load power consumption.
- Rigorous Planned Maintenance of Compressed Air Grid and Reduced Air Leakage.
- Saving in oil consumption through oil extraction from chips using a Centrifuge.
- Saving in water consumption by maintaining water filtration plant at Saswad plant.
- Saving in oil consumption by maintaining oil metering unit at Saswad plant.

##### b. Productivity improvement projects

- Change of process parameter to reduce the heat treatment time for low alloy grade material.
- Change of fixtures to improve furnace capacity utilization.
- Process modification for BD and SAE casing operation.
- Process modification in teeth grinding operation by changing process parameters.
- Process modification in bottleneck operation of cover convertor.
- Productivity improvement by process modification for pioneer housing.
- Fixing the loading of SR furnace for better utilization.

##### c. New Technology

- Use of energy efficient LED lights at office area as well as at shop floor area in all divisions.
- Use of energy efficient split (5 star labeled and inverter based) air conditioners.
- Use of energy efficient nozzles to reduce compressed air consumption.

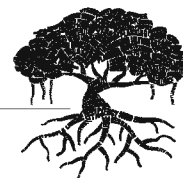
##### d. Waste elimination

- Reuse of aluminum burr at Air Compressor Division foundry.
- Reduction of fresh oil consumption at TRM and ACR with help of oil filtration plant.
- Reduction in water consumption for leak test at Air Compressor & Refrigeration Division.
- Provision of Electrical Auto drain valve in place of mechanical drain valve to reduce compressed air consumption.
- Provision of timer to exhaust fans for controlled operation.

As a result of steps taken, your Company avoided 356 Tons of CO<sub>2</sub> emissions & reduced natural resources consumption like water, oil & aluminum significantly. Use of inverter based/5-star rated air conditioners, LED based lighting systems at office area/shop floor created positive impact on working staff and resulted responsive nature.

- ii. **The steps taken by the company for utilizing alternate sources of energy:** During the year under review, your Company has initiated action to utilize renewable energy i.e. solar energy by planning to install 2kWp capacity solar power plant at Occupational Health Centre.

Your Company is also exploring the possibility of usage solar (renewable) energy for Hadapsar and Saswad Plant by installation of solar power (Solar PV) system.



- iii. **The capital investment on energy conservation equipments:** Company has made capital investment of Rs. 4.64 million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

**(B) Technology absorption-**

**(i) the efforts made towards technology absorption:**

- Development of high pressure screw compressor with FD fan for water well application.
- In house trials of zero couple direct driven compressor completed successfully.
- Development and in house trials for KCW 555 – for railway compressor requirements.
- Successful completion of 5000 hours of trouble free operation of A-3500 @ KFIL Hospet – the first Centrifugal compressor designed and developed by KPCL.
- A Unique Split condenser has been developed for installation in a submarine without having to cut for hull.
- Indigenous design and testing of Hydrodynamic Journal Bearings for high speed applications.
- Development and engineering of High speed gearbox.
- Indigenous design of Fabricated Housing for VRMs'.

**(ii) the benefits derived like product improvement, cost reduction, product development or import substitution:**

- In house design capability for centrifugal compressors which is utilized to design extension of range with 2 models viz. A-7000 and A-2100.
- Strengthen water well market presence.
- Strengthen railway compressor business with additional products.
- Offer innovative solutions to the market with compact direct driven machines.
- Offer an innovative solution to the market with compact designed condenser.
- In house design capability for high speed gearbox components.
- Entry in High Speed drives market.
- Strengthen business in VRM drives.

**(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) - NIL**

- (a) the details of technology imported;
- (b) the year of import;
- (c) whether the technology been fully absorbed;
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof;

**(iv) the expenditure incurred on Research and Development – Rs. 58.03 million.**

**(C) Foreign exchange earnings and outgo-**

Foreign Exchange earned during the year : Rs. 166.32 million.

Foreign Exchange outgo during the year : Rs. 475.36 million.

For Kirloskar Pneumatic Co. Ltd.

Sd/-

**Rahul C Kirloskar**

(Executive Chairman)

DIN 00007319

Place : Pune

Date : 27<sup>th</sup> April, 2016

## Annexure “7” to the Board's Report

### DISCLOSURE PURSUANT TO SECTION 197 (12) OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER

#### A. Information as per Section 197 (12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

i & ii The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and the percentage increase in remuneration of each Director & KMP in the financial year :

Sr. No.	Name of the Director/ KMP and Designation	% Increase in Remuneration in the FY 2015-16	Ratio of remuneration of each Director/ to median remuneration of employees
1	Mr Rahul C Kirloskar Executive Chairman	43 #	48.81
2	Mr Aditya Kowshik Managing Director	107 #	32.84
3	Mr Atul C Kirloskar Non Executive Director	83 #	1.13
4	Mr Vikram S Kirloskar Non Executive Director	120 #	0.23
5	Mr A C Mukherji Independent Director	185 #	2.94
6	Mr P S Jawadekar Independent Director	118 #	3.14
7	Mr G Krishna Rao Independent Director	94 #	3.19
8	Mr D R Swar Non-Executive Director	136 #	1.70
9	Mr Sunil Shah Singh Independent Director	59 #	1.39
10	Dr Aditi Pant Independent Director	300 #	1.24
11	Dr Ajay Kumar Dua Additional Director	NA *	NA *
12	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	24	NA
13	Mr Jitendra Shah Company Secretary	22	NA

#### Notes:

- 1) # No Commission was paid to the Directors for the financial year 2014-15 due to inadequacy of profit.
- 2) Liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole hence the amount pertaining to Key Managerial Personnel can not be ascertained separately and hence is not included above.
- 3) \* Details not given as Dr Ajay Kumar Dua was Director only for part of the financial year 2015-16 i.e. w.e.f. 14<sup>th</sup> March, 2016.



- iii) In the financial year, there was an increase of 11.80% in the median remuneration of employees.
- iv) There were 817 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2016.
- v) The relationship between average increase in remuneration and company performance was mainly governed by the "market trend" – meaning the average increase given in similar industries / sectors.
- vi) Comparison on the remuneration of the Key Managerial Personnel against the performance of the Company was in line with Business Results.
- vii)
  - a) Variation in the market capitalization of the Company: The market capitalization as on 31<sup>st</sup> March, 2016 was Rs 8,609 million (as on 31<sup>st</sup> March, 2015 was Rs 7,016 million) (calculated on the closing rate).
  - b) Price earnings ratio of the Company was 23.67 as at 31<sup>st</sup> March, 2016 (31.07 as at 31<sup>st</sup> March, 2015).
  - c) Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in the year – The Company had come out with initial public offer (IPO) in 1977 at a price of Rs. 10/- per share. In comparison, the market price increase as at 31<sup>st</sup> March, 2016 is 6603%.
- viii) Average percentage increase made in the salaries of employees other than the managerial personnel in the financial year 2015-16 is 13.74% whereas average percentage increase in the managerial remuneration is 70.48% (No Commission was paid to the Directors for the financial year 2014-15 due to inadequacy of profit).
- ix) Comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company: KMP's are eligible to commission/ incentive as a part of variable remuneration, which is linked to the performance of the Company. Such payment is effected only if the performance of the Company so permits and as recommended by the Nomination & Remuneration Committee and approved by the Board.
- x) The key parameters for any variable component of remuneration availed by the Directors – In case of Non-Executive Directors, Payment of sitting fees for Board / Committee Meetings are on the basis of their attendance. Commission to Directors is determined by the Nomination & Remuneration Committee with reference to a threshold of eligible profits within the statutory limits and performance evaluation.
- xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year – Not Applicable.
- xii) The Board affirms that the remuneration is as per the remuneration policy of the Company.

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## REPORT ON CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years. The Directors present below the Company's report on Corporate Governance for the financial year 2015-16.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

### 2. BOARD OF DIRECTORS

#### i. Composition and Category of Directors:

The Board of Directors of the Company represents an optimum mix of professionalism, gender, knowledge and experience, comprising of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. In all, there are Eleven Directors including Six (55%) Non Executive & Independent Directors including a Woman Director in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'LODR Regulations, 2015'), Three (27%) Non-Executive Directors and Two (18%) Executive Directors. As on 31<sup>st</sup> March, 2016, the composition of the Board of Directors of the Company meets the stipulated requirements of Regulation 17 of the LODR Regulations, 2015.

None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies.

In compliance with the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, Dr Aditi Pant has been appointed as an Independent Director for a period of 3 consecutive years upto 28<sup>th</sup> July, 2018.

The Board of Directors of the Company has also appointed Dr Ajay Kumar Dua as an Additional Director with effect from 14<sup>th</sup> March, 2016 in the category of an Independent Director in compliance with LODR Regulations, 2015.

The Company issued letter of appointment to all the Independent Directors as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company namely [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

#### ii. Board Training and Induction:

The Company had arranged familiarization programmes for all the Directors during the year. The programmes were aimed to acclimatize the Directors with processes, business and actual functioning of the Company so as to enable them to carry out their role effectively. The details of familiarization and training programmes have been posted on Company's website.

Weblink: <http://www.kirloskarkpcl.com/Pdf/company-policies/Familiarization%20Program%20for%20Independent%20Directors.pdf>

#### iii. Number of Meetings:

The Board meets at least once in every quarter to review Company's operations and the maximum time gap between any two meetings is not more than 120 days.

During the year ended on 31<sup>st</sup> March, 2016, five Board Meetings were held on 7<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 27<sup>th</sup> October, 2015, 22<sup>nd</sup> January, 2016 and 14<sup>th</sup> March, 2016. The Annual General Meeting of the Company was held on 29<sup>th</sup> July, 2015.



**iv. Director's attendance record and directorships held:**

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting held during the financial year and also the number of other Directorships and Committee Memberships / Chairmanships are as follows:

Name of the Director & Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Committee Position # (including KPCL)	
			Member	Chairman
<b>Non-Executive Directors</b>				
<sup>§</sup> @Mr Atul C Kirloskar (DIN 00007387)	5	6	1	1
<sup>§</sup> Mr Vikram S Kirloskar (DIN 00007907)	1	4	1	-
Mr D R Swar (DIN 00007495)	5	1	-	-
<b>Independent &amp; Non - Executive Directors</b>				
Mr A C Mukherji (DIN 00063975)	5	4	5	3
Mr P S Jawadekar (DIN 00155177)	5	2	2	-
Mr G Krishna Rao (DIN 00058985)	5	1	2	1
Mr Sunil Shah Singh (DIN 00233918)	5	2	2	-
Dr Aditi Pant (DIN 06930011)	5	1	-	-
Dr Ajay Kumar Dua (DIN 02318948) (Appointed with effect from 14 March 2016)	1	3	3	-
<b>Executive Directors</b>				
<sup>§</sup> @Mr Rahul C Kirloskar Chairman (DIN 00007319)	5	5	3	-
Mr Aditya Kowshik Managing Director (DIN 00228983)	5	1	-	-

**Notes:**

\* Excluding Private, Foreign and Section 8 Companies.

# For this purpose only Membership / Chairmanship of Audit Committee and Stakeholders' Relationship Committee of Public Limited Companies are considered.

\$ Promoter Directors

@ Mr Rahul C Kirloskar, Executive Chairman and Mr Atul C Kirloskar, Director are brothers and related to each other.

All Directors as on that date except Mr Vikram S Kirloskar attended the Annual General Meeting held on 29<sup>th</sup> July, 2015.

**v. Meeting of Independent Directors:**

Separate meeting of Independent Directors in compliance with Schedule IV of the Companies Act, 2013 was held during the year and all independent directors as on date were present at the said meeting.

**vi. Code of Conduct:**

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management. The Code of Conduct has been posted on Company's Website at

<http://www.kirloskarkpcl.com/Pdf/company-policies/code-for-the-board-of-directors-and-senior-management-of-kpcl.pdf>

The Managing Director has confirmed to the Board that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year ended on 31<sup>st</sup> March, 2016. A declaration to this effect signed by Managing Director has been incorporated in the Annual Report.

**3. AUDIT COMMITTEE**

**i. Composition:**

The Audit Committee consists of 3 Independent Directors namely Mr A C Mukherji, Mr G Krishna Rao and Mr P S Jawadekar.

Mr A C Mukherji, is the Chairman of the Audit Committee. The Chairman and Members of the Audit Committee are well-versed with the financial matters and are finance literate.

Chairman, Managing Director, Vice President & Chief Financial Officer attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors are also invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

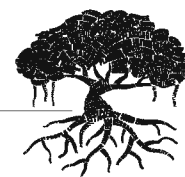
**ii. Terms of Reference:**

The role and terms of reference of the Audit Committee covers the areas as contemplated under Regulation 18 read with Part C of Schedule II of the LODR Regulations, 2015 and Section 177 of the Companies Act, 2013 read with relevant rules issued thereunder besides other terms as may be referred by the Board of Directors.

**Role of Audit Committee**

The brief role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration, terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing with management the quarterly / half yearly / annual financial statements and auditor's report thereon before submission to the Board for approval;
5. Review and monitor the auditor's independence, performance and effectiveness of audit process;
6. Approval or any subsequent modification of transactions of the Company with related parties;
7. Scrutiny of inter-corporate loans and investments;
8. Valuation of undertakings or assets of the Company, wherever it is necessary;
9. Evaluation of internal financial controls and risk management systems;
10. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
11. Discussion with internal auditors of any significant findings and follow up thereon;
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;



13. Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
14. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
15. To review the functioning of the Whistle Blower mechanism;
16. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**iii. Meetings & attendance of the Audit Committee:**

The Audit Committee met five times during the year i.e. on 7<sup>th</sup> May, 2015, 29<sup>th</sup> July, 2015, 27<sup>th</sup> October, 2015, 22<sup>nd</sup> January, 2016 and 14<sup>th</sup> March, 2016 which was attended by the members as per the following details:-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr A C Mukherji	5	5
Mr G Krishna Rao	5	5
Mr P S Jawadekar	5	5

The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

#### 4. NOMINATION AND REMUNERATION COMMITTEE

**i. Composition:**

The Nomination & Remuneration Committee comprises of 3 Independent Directors namely Mr P S Jawadekar who is the Chairman of the Committee, Mr G Krishna Rao and Mr Sunil Shah Singh, all Independent Directors. Company Secretary acts as Secretary to the Committee.

**ii. Terms of Reference:**

The broad terms of reference of the Nomination and Remuneration Committee are as under:

- i) Formulation of the criteria for determining the qualifications, positive attributes and independence of Director;
- ii) Devising a policy on Board diversity;
- iii) Formulation of Remuneration policy;
- iv) Review the structure, size and composition of the Board;
- v) Identifying and selection of candidates for appointment as Directors;
- vi) Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
- vii) Formulation of criteria for evaluation of Independent Directors and the Board.

**iii. Meetings & attendance of the Nomination & Remuneration Committee:**

During the year, two Meetings were held on 6<sup>th</sup> May, 2015 and 14<sup>th</sup> March, 2016 which were attended by the members as per the following details:-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr P S Jawadekar	2	2
Mr G Krishna Rao	2	2
Mr Sunil Shah Singh	2	2

The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

#### 5. REMUNERATION POLICY

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise and contribution and based on recommendations of the Nomination and Remuneration Committee.



Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 2013.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Nomination and Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 2013 subject to necessary approvals, as applicable, if any.

The Remuneration policy is provided as Annexure to the Directors' report.

**Details of remuneration paid / payable to Directors during the year 2015-16:**

**A. Non Executive Directors:**

Name of Director	Sitting Fees (Rs)	Commission on Net Profit * (Rs)	Salary & Perquisites (Rs)	Total (Rs)	No. of shares held **
Mr Atul C Kirloskar	250,000	300,000	-	550,000	114,330
Mr Vikram S Kirloskar	50,000	60,000	-	110,000	-
Mr A C Mukherji	500,000	925,000	-	1,425,000	-
Mr P S Jawadekar	600,000	925,000	-	1,525,000	-
Mr G Krishna Rao	625,000	925,000	-	1,550,000	-
Mr D R Swar	525,000	300,000	-	825,000	-
Mr Sunil Shah Singh	375,000	300,000	-	675,000	1,000
Dr Aditi Pant	300,000	300,000	-	600,000	-
Dr Ajay Kumar Dua	50,000	60,000	-	110,000	-

Notes:

- \* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- \*\* The above shareholding is considered in the name of first holder only.
- There are no other pecuniary relationships or transactions of Non-Executive Directors vis à-vis the Company.
- Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs. 50,000/- for attending each meeting of the Board and Audit Committee and Rs. 25,000/- for attending each meeting of the other Board constituted Committees.

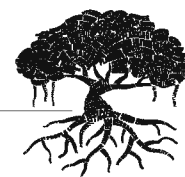
**B. Remuneration paid / payable to Mr Rahul C Kirloskar, Executive Chairman & Mr Aditya Kowshik, Managing Director:**

(Amount in Rupees)

Particulars	Mr Rahul C Kirloskar From 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Mr Aditya Kowshik From 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016
Salary	12,000,000	6,000,000
House Rent Allowance	-	600,000
Contribution to Funds	2,540,000	2,120,000
Other perquisites	3,203,610	941,906
*Commission	8,500,000	8,000,000
<b>TOTAL</b>	<b>26,243,610</b>	<b>17,661,906</b>
**No. of shares held	115,579	NIL

Notes:

- \* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- \*\* The above shareholding is considered in the name of first holder only.



## 6. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Committee functions under the Chairmanship of Mr G Krishna Rao, an Independent Director. Mr Sunil Shah Singh, an Independent Director and Mr Rahul C Kirloskar, Executive Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

During the year, three Stakeholders' Relationship Committee meetings were held on 6<sup>th</sup> May, 2015, 27<sup>th</sup> October 2015 and 22<sup>nd</sup> January, 2016 and the same were attended by members as per the following details:-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr G Krishna Rao	3	3
Mr Rahul C Kirloskar	3	3
Mr Sunil Shah Singh	3	3

The Company has received 3 complaints during the year and all of them were resolved. There were no complaints pending as on 31<sup>st</sup> March, 2016.

## 7. GENERAL BODY MEETINGS

i. The details of the last three Annual General Meetings are as follows:

Date	Time	Location
29 <sup>th</sup> July, 2015	2.30 pm	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune – 411 030
23 <sup>rd</sup> July, 2014	2.30 pm	Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune - 411 002
23 <sup>rd</sup> July, 2013	2.30 pm	

ii. Special Resolutions passed in last 3 AGM's:

The Members of the Company have passed one special resolution by way of e-voting at the last three AGM's.

Sr. No.	Resolutions
1	Alteration of Articles of Association

iii. Postal Ballot:

A) The Members of the Company have passed following special resolutions by way of Postal Ballot on 6<sup>th</sup> May, 2015.

Sr. No.	Resolutions	Votes in favour of the Resolution		Votes against the Resolution	
		No. of votes	% to total votes	No. of votes	% to total votes
1	Remuneration to Mr Rahul C Kirloskar, Executive Chairman due to inadequate profits	10,686,060	99.98	1,704	0.02
2	Remuneration to Mr Aditya Kowshik, Managing Director due to inadequate profits	10,683,808	99.98	1,746	0.02

The Notice dated 12<sup>th</sup> March, 2015 was sent to the Members and the last date for receipt of postal ballot forms was 2<sup>nd</sup> May, 2015. Mr S V Deulkar, Partner of M/s SVD & Associates, Practicing Company Secretaries was appointed as Scrutinizer for the process of postal ballot exercise. According to the Scrutinizer's report, the Resolutions were passed by the requisite majority. The result of the postal ballot was declared on 6<sup>th</sup> May, 2015 on the website of the Company and

informed to the BSE Limited, where the shares of the Company are listed for the information of the members.

- B) The shareholders of the Company have passed following special resolutions by way of Postal Ballot at the Annual General Meeting held on 23<sup>rd</sup> July, 2014.

Sr. No.	Resolutions	Votes in favour of the Resolution		Votes against the Resolution	
		No. of votes	% to total votes	No. of votes	% to total votes
1	Increase in borrowing limits	10,413,935	99.99	203	0.01
2	Creation of charge on the properties of the Company	10,414,104	99.99	33	0.01
3	To make investment(s), loan(s), give guarantee(s) and provide securities	10,413,764	99.99	366	0.01

The Notice dated 27<sup>th</sup> May, 2014 was sent to the Members and the last date for receipt of Postal Ballot forms was 19<sup>th</sup> July, 2014. Mr S V Deulkar, Proprietor of M/s S V Deulkar & Company, Company Secretaries was appointed as Scrutinizer for the process of postal ballot exercise. According to the Scrutinizer's report, the Resolutions were passed by the requisite majority. The result of the Postal Ballot was declared on 24<sup>th</sup> July, 2014 on the website of the Company and informed to the BSE Limited, where the shares of the Company are listed for the information of the members.

## 8. MEANS OF COMMUNICATION

The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within sixty days from the close of the financial year as per the requirements of the LODR Regulations, 2015.

The aforesaid financial results are sent to BSE Limited where the Company's securities are listed, immediately after these are approved by the Board. The results are thereafter published in the leading English newspaper namely Business Standard and Marathi newspaper namely Loksatta.

The audited financial statements form part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.

The Company also informs by way of intimation to BSE Limited and placing on its website all price sensitive matters or such other matters, which in its opinion are material and of relevance to the members.

The Annual Report of the Company, the quarterly / half yearly and the annual results of the Company, statement of unclaimed dividend, shareholding pattern, Corporate Governance Report etc. are also placed on the Company's website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

## 9. GENERAL SHAREHOLDER INFORMATION

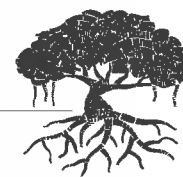
### i. Annual General Meeting :

<b>Date</b>	:	22 <sup>nd</sup> July, 2016
<b>Day</b>	:	Friday
<b>Time</b>	:	2.30 pm
<b>Venue</b>	:	S M Joshi Socialist Foundation (SM Joshi Hall) S.No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030

ii. **Financial Year** : 1<sup>st</sup> April to 31<sup>st</sup> March

iii. **Book Closure** : 16<sup>th</sup> July, 2016 to 22<sup>nd</sup> July, 2016 (both days inclusive)

iv. **Dividend Payment Date** : Interim dividend paid on 29<sup>th</sup> March, 2016 declared as final dividend



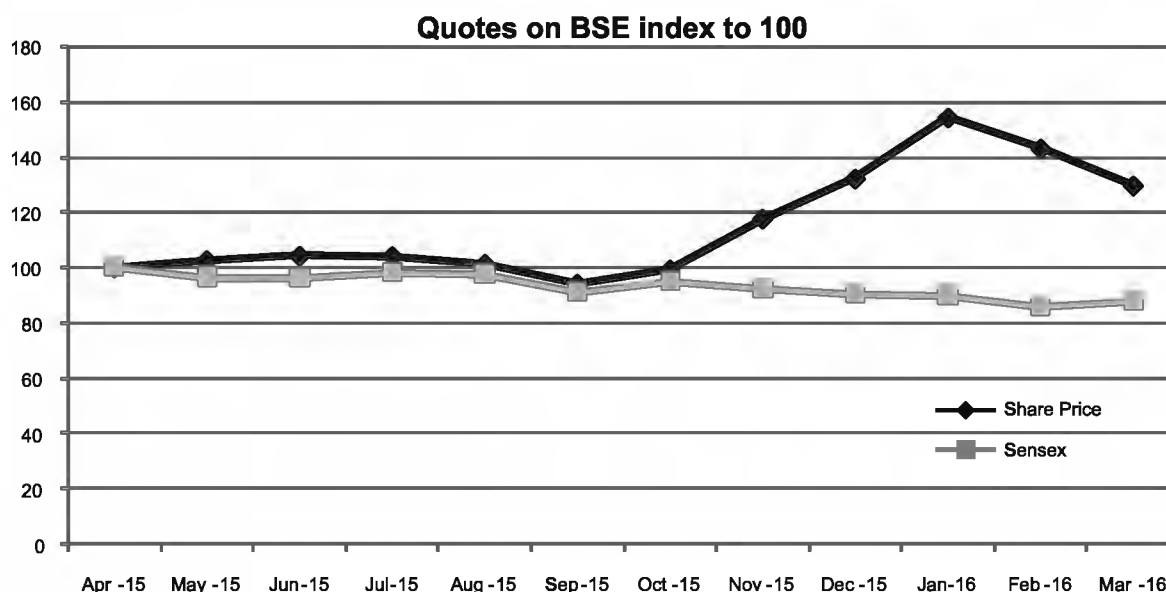
- v. **Listing on** : BSE Limited  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001  
Annual Listing Fees for the year 2016-17 has been paid to BSE Ltd
- vi. **Stock Code** : 505283
- vii. **Depositories** : National Securities Depository Ltd.  
Central Depository Services (I) Ltd.  
ISIN No. - INE811A01012

**viii. Market Price Data :**

Market Price Data as per BSE Limited, i.e. High-Low and close for each month during this financial year:

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2015	552.50	490.00	512.75
May 2015	567.25	485.25	507.00
June 2015	576.00	451.00	509.00
July 2015	575.00	501.50	509.75
August 2015	560.00	434.00	490.00
September 2015	520.00	461.00	497.30
October 2015	549.00	480.00	511.00
November 2015	650.00	500.25	631.50
December 2015	730.00	620.00	704.25
January 2016	852.00	690.25	767.75
February 2016	790.00	622.00	653.50
March 2016	716.00	630.00	670.25

**ix. Stock Performance in comparison to BSE Sensex:**



**x. Registrar & Transfer Agent:**

M/s Link Intime India Private Limited is the Registrar & Transfer Agent for shares in physical form as well as electronic mode.

**xi. Share Transfer System:**

Share Transfers are registered and returned within a period of 10 days from the date of receipt provided the documents are correct and valid in all respects.

**xii. Distribution of Shareholding as on 31<sup>st</sup> March, 2016:**

Holding		No. of Members	%	No. of Shares of Rs. 10/- each	% to Capital
UPTO	500	16,992	97.58	661,776	5.15
501	1000	236	1.36	190,890	1.49
1001	2000	88	0.51	133,812	1.04
2001	3000	26	0.15	63,783	0.50
3001	4000	13	0.07	45,335	0.35
4001	5000	13	0.07	58,649	0.46
5001	10000	10	0.06	70,559	0.55
10001	AND ABOVE	35	0.20	11,619,534	90.46
<b>Total</b>		<b>17,413</b>	<b>100.00</b>	<b>12,844,338</b>	<b>100.00</b>

**xiii. Dematerialisation of Shares & Liquidity:**

The name of the Company appears in the compulsory Trading List and 96.70% of Share Capital is in Electronic Form as on 31<sup>st</sup> March, 2016.

**xiv.** Company has not issued GDRs / ADRs / Warrants or any convertible instruments.

**xv.** Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.

**xvi. Plant Locations:**

Pune	Saswad	Nashik
Hadapsar Industrial Estate, Pune 411 013	Saswad, Tal.: Purandar, Dist. Pune	Thermal Power Station Road, Nashik Road, Nashik

**xvii. Address for Correspondence:**

**Registered Office of the Company**

Kirloskar Pneumatic Co. Ltd.  
Hadapsar Industrial Estate, Pune 411013  
Phone No. 020 – 26727000  
Fax No. 020 – 26870297  
Email : sec@kpcl.net  
Website : www.kirloskarkpcl.com

**Registrar & Transfer Agent :**

**Link Intime India Private Limited**

**Pune Office :**

Akshay Complex, No. 202, 2nd Floor,  
Near Ganesh Temple,  
Off Dhole Patil Road, Pune 411 001  
Phone Nos.: 020 – 26160084 /1629 /3503  
Fax No. 020 – 26163503  
Email : pune@linkintime.co.in

**Mumbai Office :**

C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West)  
Mumbai 400 078  
Phone No. : 022 – 25963838  
Fax No. 022 – 25946970  
Email : mumbai@linkintime.co.in

**10. OTHER DISCLOSURES:****i. Related Party Transactions:**

There are no materially significant related party transactions during the year 2015-16 that has potential conflict of interest with the interest of Company at large.

As required under LODR Regulations, 2015, the Company has formulated a policy on materiality of Related Party Transactions and dealing with Related Party Transactions and placed on website at <http://www.kirloskarkpcl.com/Pdf/company-policies/policy-on-materiality-of-related-party-transactions.pdf>

**ii. Strictures or Penalties:**

There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.

**iii. Vigil Mechanism / Whistle-Blower Policy:**

The Company has a Whistle-Blower Policy for establishing a vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's code of conduct and ethics Policy. The said mechanism also provides for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases. During the year, no employee of the Company was denied access to the Audit Committee. The said policy has been uploaded on the website of the Company at <http://www.kirloskarkpcl.com/Pdf/company-policies/whistle-blower-policy.pdf>

**iv.** The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015.

**v.** The Company has also complied with the following non-mandatory requirements:

a. The positions of the Chairman and CEO are separate.

b. The Internal Auditor reports to the Audit Committee.

**vi. Subsidiary Company:**

The Company does not have any material subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth of the Company and its subsidiary in the immediately preceding financial year.

A policy on material subsidiaries has been formulated by the Company and placed on the website of the Company at <http://www.kirloskarkpcl.com/Pdf/company-policies/policy-material-subsiary-company.pdf>

The Company has one Non-Listed Indian Subsidiary Company namely Kirloskar RoadRailer Limited.

The financial statements of the Subsidiary Company are placed before the Audit Committee for their review.

The minutes of the Board Meeting as well as statements of all significant transactions of the Subsidiary Company are placed regularly before the Board of Directors for their review.

**vii.** The Company has adopted a policy for hedging of Foreign Exchange Risk and accordingly company hedges its foreign exchange risk from time to time.

**viii.** Company has complied with corporate governance requirements as specified in Regulation 17 to 27 and clause (b) to (i) of Regulation 46 (2) of LODR Regulations, 2015.

**ix. Prohibition of Insider Trading:**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The code provides for periodical disclosures from Directors and designated employees as well as pre-clearances of transactions by such persons.

**11. RISK MANAGEMENT**

The provisions of Regulation 21 of LODR Regulations, 2015 are not applicable to the Company, however the detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

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## 12. CEO/CFO CERTIFICATION

The CEO/CFO Certificate signed by Mr Aditya Kowshik, Managing Director and Mr Suhas S Kolhatkar, Vice President & Chief Financial Officer was placed before the meeting of Board of Directors held on 27<sup>th</sup> April, 2016.

For Kirloskar Pneumatic Company Limited

sd/-

**Aditya Kowshik**  
Managing Director  
DIN 00228983

Date : 27<sup>th</sup> April, 2016

Place : Pune

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## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

### To the members of Kirloskar Pneumatic Company Limited

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31<sup>st</sup> March, 2016, as stipulated in Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, pursuant to the Listing Agreement with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the above-mentioned Listing Regulations.

We further state that, such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/S P G BHAGWAT

Chartered Accountants  
Firm's Registration Number : 101118W

sd/-

**S S Athavale**  
Partner  
Membership Number 83374

Place : Pune

Date : 27<sup>th</sup> April, 2016

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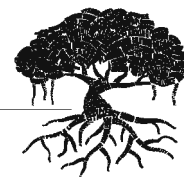
## DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT

I, hereby declare that all the Directors & Senior Management personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

**Aditya Kowshik**  
Managing Director  
DIN 00228983

Place : Pune

Date : 27<sup>th</sup> April, 2016



## MANAGEMENT DISCUSSION AND ANALYSIS

### Indian Economy:

Economic growth in India accelerated in FY'16 despite a decline in exports. Advance government estimates point to the economy growing at 7.6% in FY'16. Lower commodity prices and muted global demand weighed on exports, which contracted substantially in FY'16.

Despite a weak monsoon for a second consecutive year, agriculture grew by 1.1% in FY'16, mainly on strong growth in livestock. Food grain production is estimated to have increased by 0.5%, though there was lower production of rice, coarse cereals, oilseeds, and sugarcane.

After growing by 5.9% in FY'15, industry accelerated further to 7.3% in FY'16. Expansion in services moderated to 9.2%. Private consumption growth is estimated to have picked up to 7.6% in FY'16 from 6.2% a year earlier. Much of the improvement in private consumption stems from a pickup in urban consumption, while rural consumption has remained subdued as a result of two consecutive weak monsoons. Government consumption growth also stayed tepid as the Central Government boosted capital expenditure and curtailed current expenditure. A 20.9% increase in capital expenditure undertaken by the Central Government helped investment growth improve to 5.3% from 4.9% in FY'15. However, private investment remained weakened by overcapacity.

### Economic prospects

While public investment and urban consumption were the major drivers of growth in FY'16, a revival of private investment and rural consumption is critical if growth is to remain strong in FY'17 and FY'18, given the likely sluggish recovery in the advanced economies and a cautious outlook for global trade.

Growth is projected at 7.4% in FY'17. Moreover, public sector banks will trade cautiously on lending and growth prospects. Growth is expected to pick up a bit to 7.8% in FY'18, helped by the government's strengthening of public sector banks' capital and operations, private investment benefitting from corporate deleveraging, the financing of stalled projects, and an uptick in bank credit.

### Segment Analysis

Your Company serves two business segments – Compression Products/ Systems and Transmission Products.

#### 1. Compression Products:

Your Company offers a wide range of products which include – Air, Gas and Refrigeration Compressors, Packages and Systems. These products primarily serve Oil and Gas, Cold Chain and other industrial markets. Additionally Kirloskar Pneumatic Company Limited ("KPCL") also serves defense needs of compression systems.

- a. **Oil & Gas Business** : Your Company offers refrigeration and gas compression systems for refineries, petrochemical plants, CNG stations to City Gas Distribution (CGD) companies etc. Your Company has proven to key customers like ONGC, Reliance, BPCL, HPCL, IOCL and other CGD companies its capabilities of design, procure, build & test high end systems. Customers have time and again posed confidence on this capability and this helps us to retain market leadership in the segment.

The Government of India accorded top priority for domestic gas allocation to City Gas Distribution segment. This led to investment in this sector in 2015-16 generating increased requirement of CNG compressors. Your Company is the market leader in this segment and expects good business of CNG





machines in this financial year which will sustain for the next three years wherein government plans to add another 150 towns and cities in CGD network.

The requirement of Process refrigeration in refineries and petrochemicals was subdued in this financial year due to low investment. However, your Company continues to maintain market leadership in this segment. All Indian refineries are poised to upgrade their processes for producing BS VI compliant fuel by 1<sup>st</sup> April, 2020. This sector will see a good investment leading to an increased business for Process refrigeration in the coming two years. With an increased focus on Exports your Company expects to do good business in this sector outside India in the coming financial year.



- b. Cold Chain Business:** Your Company supplies ammonia compressor and packages for the cold store units, dairy units and pharmaceutical plants. These compressors are of reciprocating technology and offer excellent reliability. Your company has a wide network of dealers who provide 24x7 services to the customers. Your company is closely associated with various state level cold store association and government nodal agencies and technical committees. KPCL enjoys excellent market share in this segment.

With about 140 million ton of fruits and vegetable production, India is second largest producer in the world. However 40% of this produce is wasted due to improper storage and transportation. India is the largest producer of milk in the world with 100 million tons production. However 10% of this milk gets wasted. With this in mind the Government of India is aggressively pushing for the infrastructure development for cold chain. The Government of India has set up NCCD - a national body to serve as a nodal agency to promote and develop cold chain in India. Government has also announced incentives for infrastructure development in cold chain.

As such demand for compressors for cold stores is growing. In fact this business has grown consistently over last three years at a CAGR 10%.

Your Company has developed Air cooled compressors which reduces system cost and eliminates water usage for the customer. This also improves the efficiency and running cost. To improve quality and delivery of refrigeration compressors your Company successfully installed sophisticated machining centres and results are very encouraging. Your Company is promoting this technology in the market which has led to increased sale of Air cooled machines over the water cooled version.

- c. Industrial Business :** Your Company offers air compressors and packages of various technologies. KPCL has distinction of over 10,000 installations with reputed customers in cement, steel, power, engineering and other markets. KPCL has integrated capability of designing, manufacturing and servicing air compressors. Customers value engineering and solution offering capability of KPCL.

The year 2015-16 was good for this business with significant increase for sales of Centrifugal Compressors and Screw Compressors. Government initiatives like use of cement in place of Bitumen for road construction, capacity expansion of PSUs like IOCL, Pharma 2020 has contributed in the growth of this segment. There has been marginal improvement in demand from sectors like Textile, Pharma, Cement, PET, etc. All this has resulted into steady increase (11%) over previous year in the industrial business.

KPCL is known in the market place for engineering capability and customized design. Your Company has developed their own Centrifugal Compressor range as well as new models of Water Well Compressors to cater to high pressure water well drilling operations. All these technological innovations will take us to next level of growth.





- d. **Defense Business** : KPCL serves defense sector with products like HVAC systems and air compressor packages. KPCL has unique distinction of being preferred supplier status. This has been possible with relentless efforts of our engineering team. Some of the prestigious installations include HVAC system for warships and submarines, cooling trolleys for aircraft and helicopter, air charging units, refrigeration plants for food preservation.

This is a tender based business and includes new equipment as well as service business. This year your Company had supplied prestigious high pressure compressor trolleys to Indian Government's defense wing. During the year 2015-16, this business increased by 53% owing to these high pressure trolley supplies.

**Performance:** With demand contraction in industrial market and defense business, during the year 2015-16 revenue for the Compression Product segment was Rs. 4,525 million (Previous year Rs. 3,863 million).

**Opportunities, Threats and Concerns:** The Government of India through its reform policy is attempting to bring in improved business environment. However, your Company believes that this year may be year of transition for Oil & Gas sector. Company will continue to support the customers with products and services. To de-risk this challenge of growth, the company has set up an International Business Division. Your Company has been approved by major consultants and contractors in Middle East and South East Asia. A team of sales and marketing is travelling to the region and promoting KPCL capabilities.

Cold chain market is expected to grow at 10% annually. However implementation of government programmes for developing this market will have to be watched carefully. Your Company, with its extensive distribution network and delivery process is confident of seizing the opportunity as and when they appear.

Industrial markets will see upturn in next two to three years. Your Company has invested into developing new technology products. This will offer a competitive edge to regain its leadership position. To reach to smaller markets, company has been expanding dealer network aggressively. This will enable to increase market access and reach.

The Government of India is aggressively modernizing defense installations. Your Company with strong references expects to play an important role in this "Make in India" programme. However, delays in finalizing orders may dampen the demand. Your Company expects more international players to start business in India. But your company is strongly poised to take on this competition.

## 2. **Transmission Products:**

Your Company offers wide range of products which includes – Traction Gears, Customised Gearboxes and Specialized Products. These products primarily serve Indian Railways, Wind Power Projects and other industrial markets.

- a. **Railway Business** : Your Company is a strong player in this market. The company, over the years has developed capability of manufacturing entire range of gear pinion requirement of Indian Railways. It has been approved as part 1 supplier for the new generation high speed locomotives. Your company serves locomotive manufacturing units of Indian Railways.

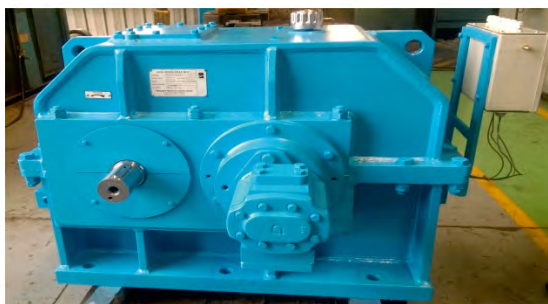
Deliveries from gear plant continue to be the best in industry. However demand for railway gears and pinions has remained stagnant with little possibility of growth in near future. Spares demand continued to be similar to previous year.

- b. **Wind Turbine Gearbox Business** : Your Company traditionally has been manufacturing and selling gearboxes for wind turbines. These gear boxes can be classified into kilowatt class and megawatt class. Your Company is a leader in kilowatt class gearbox. With market moving to megawatt class, company has developed capability of making megawatt class gearbox. It works with some of the leading companies in wind power industry. Gearbox produced by KPCL is low noise and high reliability gearbox.

For last two years new wind farm projects are very few. With a change in the Government policy on wind power projects the demand for gearbox has reduced substantially. In fact new wind power annual installations have dramatically dropped. In this diminishing market KPCL has maintained its market share and executed few orders for replacement of gearboxes in the sub megawatt class. This market is not expected to grow in the coming year.

- c. **Industrial Gearbox Business** : With a fluctuating demand in wind turbine gearbox market, your Company strategically decided to work in the industrial markets with customized gearboxes. These are

planetary gearboxes for sugar mills, cement plants, steel plants. To be successful in this business your Company has secured requisite registrations with consultants and reference installations. This process will be further pursued in current year also.



As part of the strategy execution, KPCL has emphasized on developing competency and knowledge base in design and marketing. With this, KPCL has successfully developed and executed some of high-end gearbox orders for applications like cranes, Steel, Cement and Sugar Mills etc. This will help your Company grow in the long term.

With the newly developed knowledge for design and manufacture of High-end gearboxes, your Company has successfully supplied High Speed gearboxes to Steam Turbine manufacturers for power generation. Necessary infrastructure is already added during the year and the same has been proven.

**Performance:** With lower demand in railway business and wind turbine business, during the year revenue for the Transmission Product segment was Rs. 564 million (Previous year Rs. 547 million).

**Opportunities, Threats and Concerns:** Railways demand for traction gears may grow by 5% over next three years. Indian Railways is working on developing multiple sources. This may affect the growth opportunities for your Company. KPCL has developed capability for faster delivery which will be a competitive advantage.

Wind turbine market has not shown any significant improvement. Your Company is exploring the possibility of serving the overseas markets through OEMs in sub Megawatt Class wind Turbines. KPCL will continue to explore new opportunities and support existing customer base.

Your Company expects its entry into industrial gearbox market which will open opportunities for growth.

Your Company has entered into service business for gearboxes. The aim is to make available quality repair / refurbishment service near the installations. This will save the down time of plants in case of minor nature of the service. Moreover this will generate business of supply of spares. One Service Centre has already started operations in Coimbatore and more are planned in the current year in other parts of India.

Gearbox business is solely dependent on availability of engineering talent and adequate infrastructure. Infrastructure has already been augmented with state of the art manufacturing and testing equipments procured from global leading manufacturers. Engineering talent is being inducted and training on various software and analysis tools is being enhanced.

### **3. Other:**

Your Company has worked on a new technology offering the RoadRailer for the logistics sector. This technology developed with the support of Wabash Inc, USA is designed to offer quicker, safer and economical transportation of cargo. RoadRailer rake manufactured by your Company has successfully completed the EBD (Emergency Brake Distance) test. Your Company is now awaiting few clearances for commencing the operations.

### **Internal Control Systems and their Adequacy**

Your Company has covered this in the Directors' Report.

### **Safety, Health and Environment**

Your Company is one of the few IMS (Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001) Certified Companies in the Country. Your Company is committed to comply with all statutory and regulatory requirements. Your Company has been taking efforts in building awareness among employees, suppliers and service providers. Your Company has been giving a lot of attention to improving greenery all around its manufacturing plants. Energy conservation initiatives, safety initiatives and quality initiatives are being taken on a regular basis to ensure sustainability.



The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to its employees but also to their families and to the society at large. First-Aid preparedness and an equipped ambulance is ensured at all times in the factory premises. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

**Corporate Social Responsibility (CSR)**

Inspired by our founder Late Shri S L Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 16% of employees volunteer to actively contribute for a social cause every year.



During this year, your Company has reached out to 22 schools and 26,000+ community members with the help of about 130 employee volunteers who put in over 7,000+ man hours of volunteering. Significant CSR initiatives include WaSH (Water, Sanitation and Hygiene) Initiative, School Health Initiative and HIV AIDS awareness program.

The Board has established a CSR Committee to monitor its CSR activities. On the recommendation of the CSR Committee, the Board of Directors has adopted a CSR Policy in line with the Companies Act, 2013.

**Human Resources and Industrial Relations**

A committed and competent team is the back bone of your Company. Significant efforts are made to enhance efficiency and effectiveness of employees. Your Company has a well structured Management Development Programme which seeks to identify, leverage and appropriately deploy talent within the Company. Attracting & retaining talent and succession management continue to be a major focus of HR.

Upgrading skills and competencies across all levels has become essential with the changes in the business and technological environment. Your Company will continue to build on the people and processes with a definite plan on strengthening the organization.

Various initiatives like staffing, career planning, learning & development, rewards & recognition and communication have been taken during the year.

**Recruitment & Staffing :** Selection of new employees is done through a rigorous process including aptitude test, technical test to ensure we get the right candidate onboard.

**Career Planning :** Key Role Holders are identified as part of the succession process. They go through Development centers to assess their potential. They attend management development program at KIAMS to develop their skills.



**Learning & Development :** Based on the gaps identified, employees attend knowledge, skill, behavior programs during the year. This helps them fulfill their potential. Higher education assistance scheme offers opportunities to enhance aspirations of employees.

**Rewards & Recognition :** Employees are motivated through various reward schemes that recognize individual as well as team performance.



**Communication :** A dialogue is maintained with employees throughout the year through speakout sessions, house magazine (Susamwad) and intranet (Shashwat). The employees are aware of developments in the Company.

Your Company has a total strength of 817 employees as on 31<sup>st</sup> March, 2016. The relations with the employees at all levels continue to be cordial.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED**

### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Basis for qualified opinion**

Ministry of Corporate Affairs has directed the company to recover the remuneration in excess of 5% of the net profits u/s 349 of the Companies Act 1956, paid to Executive Chairman for FY 2012-13 & 2013-14. Company's application for payment of minimum remuneration for the year 2014-15 has been rejected for this reason and therefore remuneration paid in excess of limits specified in Schedule V of the Companies Act 2013 also is required to be recovered. Such excess remuneration amounts to Rs. 200.39 lakhs. The company has filed Form MR-2 with the Ministry for waiver of the said recovery and therefore the company has not recovered this amount nor accounted for the recoverable amount. As a result, the profits of the company for the year ended 31<sup>st</sup> March 2016 are lower by Rs. 131.04 lakhs (net of Tax) & correspondingly the Reserves & Surplus are also lower by the same amount. (refer Note No. 31)



**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its profit and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) In our opinion there are no financial transactions or matters which have any adverse effect on the functioning of the company.
  - (f) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (g) The qualification relating to the non compliance with the directions of the Ministry of Corporate Affairs regarding the remuneration of Executive Chairman are as stated in the Basis for Qualified Opinion paragraph above.
  - (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B;
  - (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 37 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

**For M/S P G BHAGWAT**  
Chartered Accountants  
Firm's Registration Number : 101118W

sd/-

**S S Athavale**  
Partner

Membership Number 83374

Place : Pune  
Date : 27<sup>th</sup> April, 2016

## ANNEXURE A TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the company, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account;
- (c) The title deeds of immovable properties are held in the name of the company;
- (ii) The physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed during such verification;
- (iii) The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In respect of loans, investments, guarantees, and security the provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- (v) In our opinion and according to the information & explanations given to us, the company has not accepted any deposits.
- (vi) The Company is maintaining cost records as prescribed under Section 148 (1) of the Companies Act, 2013. However, we have not verified the same for completeness or accuracy.
- (vii) (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and there were no arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable;
- (b) According to the records of the company, there are no dues of income tax or sales tax or service tax or duty of customs or excise duty or value added tax which have not been deposited on account of any dispute except :

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	18,44,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Wrong availment of CENVAT	12,79,793	FY 2013-14	Addn. Commissioner Central Excise & Customs
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	14,54,000	FY 1997-98	Asst. Commissioner (Customs) Mumbai
Sales Tax	Non- production of C Forms	102,000 56,831,414 12,207,000	FY 1992-93 FY 2009-10 FY 2010-11	Asst. Commissioner Appeal Jt. Commissioner Appeal Jt. Commissioner Appeal
Sales Tax	Demand under Work Contract Tax	475,000	AY 1985-86 to 1987-88	Asst. Commissioner Appeal

- (viii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders.
- (ix) The company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year;



- (x) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year;
- (xi) Managerial remuneration for the year has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- (xii) The company is not a Nidhi Company;
- (xiii) Based upon the audit procedures performed and information and explanations given by the management, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- (xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review;
- (xv) Based upon the audit procedures performed and information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him within the meaning of the provisions of section 192 of Companies Act, 2013;
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For M/S P G BHAGWAT**  
Chartered Accountants  
Firm's Registration Number : 101118W

sd/-  
**S S Athavale**  
Partner  
Membership Number 83374

Place : Pune  
Date : 27<sup>th</sup> April, 2016



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## **Annexure - B to the Auditors' Report**

### **Report on the Internal Financial Controls under Clause (l) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Kirloskar Pneumatic Company Limited ("the Company") as of 31<sup>st</sup> March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For M/S P G BHAGWAT**

Chartered Accountants

Firm's Registration Number : 101118W

sd/-

**S S Athavale**

Partner

Membership Number 83374

Place : Pune  
Date : 27<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

			As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Note No.	Rs.	Rs.	Rs.
<b>I. EQUITY AND LIABILITIES</b>				
<b>(1) SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>3,086,891,946</u>		2,831,242,651
			<b>3,215,335,326</b>	<u>2,959,686,031</u>
<b>(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>				
<b>(3) NON CURRENT LIABILITIES :</b>				
(a) Long Term Borrowings		-		-
(b) Deferred Tax Liability (Net)		-		-
(c) Other Long Term Liabilities	3	6,301,968		6,640,885
(d) Long Term Provisions	4	<u>45,375,461</u>		44,846,018
			<b>51,677,429</b>	<u>51,486,903</u>
<b>(4) CURRENT LIABILITIES :</b>				
(a) Short Term Borrowings		-		-
(b) Trade Payables	5			
(i) Due to Micro, Small and Medium Enterprises		-		-
(ii) Other Trade Payables		935,491,723		955,099,933
(c) Other Current Liabilities	6	642,550,914		811,796,177
(d) Short Term Provisions	7	<u>181,361,335</u>		180,208,700
			<b>1,759,403,972</b>	<u>1,947,104,810</u>
<b>Total</b>			<u><b>5,026,416,727</b></u>	<u><b>4,958,277,744</b></u>
<b>II. ASSETS :</b>				
<b>(1) NON CURRENT ASSETS :</b>				
(a) Fixed Assets				
(i) Tangible Assets	8	719,486,868		842,719,788
(ii) Intangible Assets	9	97,929,207		127,874,703
(iii) Capital work in progress		6,887,553		6,395,217
(b) Non Current Investments	10	73,310,256		73,298,206
(c) Deferred Tax Assets (Net)	11	12,820,961		8,480,800
(d) Long Term Loans and Advances	12	38,243,123		33,909,259
(e) Other Non Current Assets	13	<u>5,314,174</u>		3,243,228
			<b>953,992,142</b>	<u>1,095,921,201</u>
<b>(2) CURRENT ASSETS :</b>				
(a) Current Investments	14	1,471,862,377		1,080,929,371
(b) Inventories	15	573,843,669		578,389,905
(c) Trade Receivables	16	1,515,514,128		1,769,272,997
(d) Cash and Bank Balances	17	234,949,344		192,834,705
(e) Short Term Loans and Advances	18	113,832,892		129,117,945
(f) Other Current Assets	19	<u>162,422,175</u>		111,811,620
			<b>4,072,424,585</b>	<u>3,862,356,543</u>
<b>Total</b>			<u><b>5,026,416,727</b></u>	<u><b>4,958,277,744</b></u>
Notes forming part of the Financial Statements	1 - 51			

As per our attached report of even date

For and on behalf of the Board of Directors

**For M/s P.G.Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

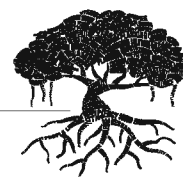
**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**S.S.Athavale**  
Partner  
Membership No. 83374  
Pune, April 27, 2016

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 27, 2016

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I Net Revenue from Operations	20		5,088,778,590	4,409,588,593
II Other Income	21		211,001,882	191,835,892
III <b>Total Revenue ( I + II )</b>			<b>5,299,780,472</b>	<b>4,601,424,485</b>
IV EXPENSES :				
Cost of Materials Consumed	22	2,720,567,674		2,281,687,042
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(29,413,782)		(26,064,201)
Employee Benefits Expenses	24	819,584,265		822,265,858
Finance Costs	25	156,554		188,702
Depreciation and Amortization Expense	26	190,896,678		189,026,949
Other Expenses	27	1,081,541,123		1,050,128,540
<b>Total Expenses</b>			<b>4,783,332,512</b>	<b>4,317,232,890</b>
V Profit before Exceptional and Extraordinary Items and Tax ( III - IV )			516,447,960	284,191,595
VI Exceptional Items			-	-
VII Profit before Extraordinary Items and Tax ( V-VI )			516,447,960	284,191,595
VIII Extraordinary Items			-	-
IX Profit before Tax ( VII-VIII )			516,447,960	284,191,595
X Taxation :	47			
Current Tax ( Net )		157,000,000		64,709,581
Deferred Tax		(4,340,161)		(6,270,572)
			152,659,839	58,439,009
<b>Profit (Loss) for the Period</b>			<b>363,788,121</b>	<b>225,752,586</b>
Earning per Share :				
(1) Basic			28.32	17.58
(2) Diluted			28.32	17.58

Notes forming part of the Financial Statements 1-51

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

Aditya Kowshik  
Managing Director  
DIN - 00228983

Rahul C. Kirloskar  
Executive Chairman  
DIN - 00007319

S.S.Athavale  
Partner  
Membership No. 83374

Jitendra Shah  
Company Secretary

Suhas S. Kolhatkar  
Vice President & Chief Financial Officer

Pune, April 27, 2016

Pune, April 27, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

PARTICULARS	2015-2016	2014-2015
Rs.	Rs.	Rs.
<b>(I) OPERATING ACTIVITIES</b>		
(A) PROFIT BEFORE TAXATION	<b>516,447,960</b>	284,191,595
(B) ADJUSTMENTS :		
<b>Add :</b>		
(i) Depreciation and Amortisation	<b>190,896,678</b>	189,026,949
(ii) Provision for Diminution in value of Investment	<b>1,944,000</b>	(9,429,000)
(iii) Bad Debts	<b>20,176,669</b>	7,817,078
(iv) Loss on Assets sold	<b>2,389,198</b>	-
(v) Interest on Secured / Unsecured Loans	<b>156,554</b>	188,702
	<b>215,563,099</b>	187,603,729
	<b>732,011,059</b>	471,795,324
<b>Less :</b>		
(i) Investment Income included above :		
(a) Dividend	<b>92,886,287</b>	59,401,697
(b) Interest Received	<b>2,329,490</b>	2,220,117
	<b>95,215,777</b>	61,621,814
(ii) Surplus on Sale of Assets	<b>31,345,348</b>	3,361,971
(iii) Profit on Sale of Investment	<b>9,358,064</b>	91,851,824
(iv) Income Tax paid	<b>131,515,723</b>	85,746,724
	<b>267,434,912</b>	242,582,334
<b>CASH FROM OPERATIONS</b>	<b>464,576,147</b>	229,212,991
 (C) (INCREASE) / DECREASE IN CURRENT ASSETS		
(i) Inventories	<b>4,546,236</b>	(160,360,269)
(ii) Sundry Debtors	<b>231,511,254</b>	(346,599,720)
(iii) Other Current Assets, Loans & Advances	<b>18,756,797</b>	(4,700,665)
	<b>254,814,287</b>	(511,660,654)
 (D) INCREASE / (DECREASE) IN CURRENT LIABILITIES		
(i) Liabilities	<b>(191,215,483)</b>	316,782,373
	<b>63,598,804</b>	(194,878,281)
<b>NET CASH FROM OPERATIONS</b>	<b>528,174,951</b>	34,334,710



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016 ( Contd. )**

PARTICULARS	2015-2016	2014-2015
	Rs.	Rs.
<b>(II) INVESTMENT ACTIVITIES</b>		
(i) Investments, net	<b>(383,530,992)</b>	161,325,735
(ii) Capital Expenditure -Tangible Assets	<b>(43,365,656)</b>	(40,332,868)
(iii) Capital Expenditure -Intangible Assets	<b>(7,766,799)</b>	(12,715,636)
(iv) Sale proceeds of Assets	<b>36,257,207</b>	7,049,770
	<b>(398,406,240)</b>	115,327,001
(v) Investment Income :		
(a) Dividend	<b>92,886,287</b>	59,401,697
(b) Interest Received	<b>2,329,490</b>	2,220,117
	<b>95,215,777</b>	61,621,814
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(303,190,463)</b>	176,948,815
<b>(III) FINANCING ACTIVITIES</b>		
(i) Increase / (Decrease) in Secured Loans	-	-
(ii) Interest on Secured / Unsecured Loans	<b>(156,554)</b>	(188,702)
(iii) Dividend & Dividend Taxpaid	<b>(182,713,295)</b>	(149,145,094)
<b>NET CASH FROM FINANCING ACTIVITY</b>	<b>(182,869,849)</b>	(149,333,796)
<b>NET CHANGE IN CASH + CASH EQUIVALENTS ( I + II + III )</b>	<b>42,114,639</b>	61,949,729
<b>Cash &amp; Cash Equivalents as at 1-4-2015 (Opening Balance)</b>	<b>192,834,705</b>	130,884,976
<b>Cash &amp; Cash Equivalents as at 31-3-2016 (Closing Balance)</b>	<b>234,949,344</b>	192,834,705

As per our attached report of even date

For and on behalf of the Board of Directors

**For M/s P.G.Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**S.S.Athavale**  
Partner  
Membership No. 83374

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 27, 2016

Pune, April 27, 2016

## NOTES

Note Nos. 1 - 51 annexed to and forming part of the Financial Statements for the year ended 31<sup>st</sup> March, 2016

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 1: SHARE CAPITAL :</b>		
<b>EQUITY SHARES :</b>		
<b>AUTHORISED :</b>		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>		
12,844,338 Equity Shares of Rs. 10/- each	128,443,380	128,443,380
	<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>		
12,844,338 Equity Shares of Rs.10/- each fully paid	128,443,380	128,443,380
<b>Total</b>	<u><u>128,443,380</u></u>	<u><u>128,443,380</u></u>

### Rights attached to Equity Shares :

The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share. Each holder of equity share is entitled to one vote per share.

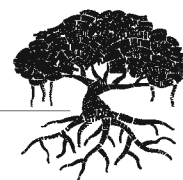
### Share Holding Details :

	Nos.	Nos.
Shareholder holding more than 5%		
a) Pneumatic Holdings Ltd	6,994,176 54.45%	-
b) Kirloskar Brothers Investments Ltd.	-	6,994,176 54.45%
c) Kirloskar Industries Ltd.	1,186,866 9.24%	1,186,866 9.24%
d)* Reliance Capital Trustee Co. Ltd.	1,098,303 8.55%	1,115,294 8.68%
e)* HDFC Trustee Co. Ltd.	802,202 6.25%	746,863 5.81%

\* Consolidated holding of all schemes

### NOTE 2: RESERVES AND SURPLUS :

<b>Capital Reserve :</b>		
As per last Account	27,965	27,965
<b>Securities Premium (Share Premium) Account:</b>		
As per last Account	51,817,923	51,817,923
<b>General Reserve :</b>		
As per last Account	2,580,000,000	2,450,000,000
Less : Amount (Net of Deferred Tax) as per Note 7(b) of Schedule II of the Companies Act, 2013	-	14,794,186
Add: Set aside this year	<u>270,000,000</u>	<u>144,794,186</u>
	<b>2,850,000,000</b>	<b>2,580,000,000</b>
<b>Surplus :</b>		
As per last Account	199,396,763	195,809,253
Add : Transferred from Statement of Profit & Loss Account	<u>363,788,121</u>	<u>225,752,586</u>
	<b>563,184,884</b>	<b>421,561,839</b>
Less :		
Transfer to General Reserve	270,000,000	144,794,186
Interim Dividend	89,910,366	-
Proposed Dividend	-	64,221,690
Tax on Dividend	<u>18,228,460</u>	<u>13,149,200</u>
	<b>378,138,826</b>	<b>222,165,076</b>
	<b>185,046,058</b>	<b>199,396,763</b>
<b>Total</b>	<u><u>3,086,891,946</u></u>	<u><u>2,831,242,651</u></u>



	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 3: OTHER LONG TERM LIABILITIES :</b>		
Deposits Received	6,301,968	6,361,104
Other Liabilities	-	279,781
<b>Total</b>	<b>6,301,968</b>	<b>6,640,885</b>

**NOTE 4: LONG TERM PROVISIONS :**

Provision for Employee Benefits	45,375,461	44,846,018
<b>Total</b>	<b>45,375,461</b>	<b>44,846,018</b>

**NOTE 5: TRADE PAYABLES :**

(i) Due to Micro, Small and Medium Enterprises (see Note 40)	-	-
(ii) Other Trade Payables	935,491,723	955,099,933
<b>Total</b>	<b>935,491,723</b>	<b>955,099,933</b>

**NOTE 6: OTHER CURRENT LIABILITIES :**

Unpaid Dividends	17,725,095	14,928,674
Advances Received	148,666,144	243,773,376
Other Payables	476,159,675	553,094,127
<b>Total</b>	<b>642,550,914</b>	<b>811,796,177</b>

**NOTE 7: SHORT TERM PROVISIONS :**

Provision for Employee Benefits	25,081,695	24,837,810
Provision for Income Tax	156,279,640	78,000,000
Proposed Dividend	-	64,221,690
Tax on Dividend	-	13,149,200
<b>Total</b>	<b>181,361,335</b>	<b>180,208,700</b>



**NOTE 8: TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS							TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRICAL INSTALLATION RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	AS AT 31/03/2016 RS.	AS AT 31/03/2015 RS.
	<b>GROSS BLOCK AT COST :</b> As at 01/04/2015	2,164,553	394,853,086	1,319,801,468	42,564,099	39,345,949	49,475,319	93,163,719	1,941,368,193
Additions	-	-	22,311,605	1,891,517	3,002,957	1,571,451	8,474,990	37,252,520	33,937,651
Deductions and adjustments	-	4,991,400	33,753,392	-	-	-	10,436,702	49,181,494	90,389,522
Cost As at 31/03/2016	2,164,553	389,861,686	1,308,359,681	44,455,616	42,348,906	51,046,770	91,202,007	1,929,439,219	1,941,368,193
<b>DEPRECIATION :</b> Up to 31/03/2015	-	100,036,376	864,771,399	20,568,099	26,179,278	31,361,052	55,732,201	1,098,648,405	993,622,445
Carrying amount as per Note 7 (b) of Sch II of the Companies Act 2013	-	-	-	-	-	-	-	-	22,412,038
For the year	-	16,392,340	93,688,228	3,601,835	6,898,686	3,515,662	14,065,999	138,162,750	169,315,644
Impairment during the year	-	-	15,021,633	-	-	-	-	15,021,633	-
Deductions and Adjustments	-	1,974,226	30,741,725	-	-	-	9,164,486	41,880,437	86,701,722
Total up to 31/03/2016	-	114,454,490	942,739,535	24,169,934	33,077,964	34,876,714	60,633,714	1,209,952,351	1,098,648,405
<b>NET BLOCK</b> As at 31/03/2016	2,164,553	275,407,196	365,620,146	20,285,682	9,270,942	16,170,056	30,568,293	719,486,868	842,719,788
As at 31/03/2015	2,164,553	294,816,710	455,030,069	21,996,000	13,166,671	18,114,267	37,431,518	842,719,788	-

a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- ( Previous year Rs.844,900/-)

For information on measurement basis, depreciation method used and useful lives ( refer Note No. 50 B )

**NOTE 9: INTANGIBLE ASSETS :**

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	SOFTWARES RS.	TECHNICAL KNOW HOW RS.	AS AT 31/03/2016 RS.	AS AT 31/03/2015 RS.
<b>GROSS BLOCK AT COST :</b> As at 01/04/2015	53,834,306	147,740,847	201,575,153	188,859,517
Additions	7,766,799	-	7,766,799	12,715,636
Cost As at 31/03/2016	61,601,105	147,740,847	209,341,952	201,575,153
<b>DEPRECIATION :</b> Up to 31/03/2015	49,584,483	24,115,967	73,700,450	53,989,145
For the year	10,664,125	27,048,170	37,712,295	19,711,305
Total up to 31/03/2016	60,248,608	51,164,137	111,412,745	73,700,450
<b>NET BLOCK</b> As at 31/03/2016	1,352,497	96,576,710	97,929,207	127,874,703
As at 31/03/2015	4,249,823	123,624,880	127,874,703	-

As at  
31<sup>st</sup> March, 2016  
Rs.

As at  
31<sup>st</sup> March, 2015  
Rs.

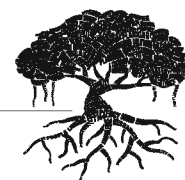
**NOTE 10: NON CURRENT INVESTMENTS (LONG TERM) :  
INVESTMENTS AT COST :**

Government and Trust Securities

Quoted :

Unit Trust of India :

201.988 units of Rs.10/- each in UTI Balanced fund (Growth)	8,063	8,063
6,307.552 (6,069.629) units of Rs.10/- each in UTI Balanced fund (Dividend Plan-Re-investment)	116,854	104,804
	<u>124,917</u>	<u>112,867</u>
3300 Master Shares of Rs.10/- each	8,244	8,244
	<b>133,161</b>	<b>121,111</b>
Carried Over Rs.	<b>133,161</b>	<b>121,111</b>



**NOTE 10: NON CURRENT INVESTMENTS(LONG TERM) : (Contd.)**

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Rs.	Rs.	Rs.
Brought Over Rs.	133,161	121,111
Equity Shares :		
Trade, Unquoted :		
Fully Paid Shares 1 Share of Rs.100/- each in Kirloskar Proprietary Ltd.	100	100
In Subsidiary Company:		
Kirloskar RoadRailer Limited		
Fully Paid Shares		
100,000 Equity Shares of Rs.10/- each	1,000,000	1,000,000
Partly paid Shares :		
14,900,000 Equity Shares of Rs.10/- each ( Rs. 3/- paid )	44,700,000	44,700,000
	<b>45,700,100</b>	<b>45,700,100</b>
Other, Quoted :		
100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.	2,400,000	2,400,000
Less: Provision for diminution in value	<u>(2,399,999)</u>	<u>(2,399,999)</u>
	1	1
46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.	117,475	117,475
375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.	5,000,000	5,000,000
Less: Provision for diminution in value	<u>(4,999,999)</u>	<u>(4,999,999)</u>
	1	1
50,295 shares of Rs.2/- each in ICICI Bank Ltd.	206,101	206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.	20,000,000	20,000,000
2,500 Shares of Rs.2/- each in HDFC Bank Ltd.	5,000	5,000
7,000 shares of Rs. 2/- each in Punjab National Bank	<u>43,400</u>	<u>43,400</u>
	<b>20,371,978</b>	<b>20,371,978</b>
Unquoted :		
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	833,984	833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate	1,120,932	1,120,932
Carried Over Rs.	<b>68,160,155</b>	<b>68,148,105</b>

**NOTE 10: NON CURRENT INVESTMENTS (LONG TERM) : (Contd.)**

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Brought Over Rs.	68,160,155	68,148,105
1 Share of Rs.100/- each fully paid in The Nasik Merchants' Co-operative Bank Ltd.	100	100
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.	1,250,000	1,250,000
Associate Company 390,000 Equity Shares of Rs.10/- each fully paid in Kirloskar Chillers Pvt.Ltd.	<u>3,900,000</u>	<u>3,900,000</u>
	<b>7,105,016</b>	<b>7,105,016</b>
In Debentures and Bonds :		
Quoted :		
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs. 44/- per Debenture - matured on 01.06.1998 awaiting realisation	1,100,000	1,100,000
Less: Provision for diminution in value	<u>(1,099,999)</u>	<u>(1,099,999)</u>
	<b>1</b>	<b>1</b>
<b>Total</b>	<u><b>73,310,256</b></u>	<u><b>73,298,206</b></u>

	Book Value as at		Market Value as at	
	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.
Quoted	20,505,140	20,493,090	157,409,107	186,959,334
Unquoted	<u>52,805,116</u>	<u>52,805,116</u>		
Total Rs.	<u><b>73,310,256</b></u>	<u><b>73,298,206</b></u>		
Aggregate provision for diminution in value	<b>(8,499,997)</b>	<b>(8,499,997)</b>		

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

**NOTE 11: DEFERRED TAX ASSETS :**

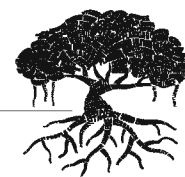
Deferred Tax Assets	32,353,787	32,760,512
Deferred Tax Liabilities (Refer Note no.47 A)	19,532,826	24,279,712
<b>Total</b>	<u><b>12,820,961</b></u>	<u><b>8,480,800</b></u>

**NOTE 12: LONG TERM LOANS AND ADVANCES :**

UNSECURED, GOOD :

(Unless otherwise stated)

Advances to Suppliers of Capital Goods	5,620,800	-
Deposits	22,548,152	22,897,060
Other Loans and Advances	10,074,171	11,012,199
<b>Total</b>	<u><b>38,243,123</b></u>	<u><b>33,909,259</b></u>



	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 13: OTHER NON CURRENT ASSETS :</b>		
Long Term Trade Receivables - Unsecured	5,314,174	3,243,228
<b>Total</b>	<b>5,314,174</b>	<b>3,243,228</b>

**NOTE 14: CURRENT INVESTMENTS AT COST :**

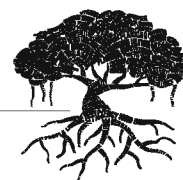
Quoted :

- (42,968.825) units of Reliance Liquidity Funds Direct Plan Daily Div.	-	42,990,747
- (5,000,000.00) units of UTI-Fixed Term Income Fund Series XIX-III (368 days) Direct Growth	-	50,000,000
- (4,482,495.854) units of IDFC Banking Debt Fund Direct Growth	-	50,000,000
- (34,278.377) units of Reliance Liquid Fund Treasury Plan-Direct-Daily Div.	-	52,402,732
- (7,413.036) units of L & T Liquid Fund Direct Plan - Daily Div.	-	7,502,363
4,345,143.433 (4,345,143.433) units of Birla Dynamic Bond Fund Retail Qtr. Dividend	50,000,000	50,000,000
128,133.606 (131,309.631) units of SBI Premier Liquid Fund Direct Plan Daily Div.	128,550,040	131,736,386
345,886.569 (327,942.011) units of ICICI Prudential Liquid - Direct Plan Daily Div.	34,607,494	32,812,022
563,193.628 (533,896.704) units of ICICI Prudential Money Market Fund Direct Daily Div.	56,400,181	53,466,285
3,188,862.658 (3,001,325.612) units of DSP BlackRock Ultra Short Term Direct Weekly Div.	31,914,761	30,013,311
5,190,174.055 (4,940,379.919) units of L & T Short Term Opportunities Fund Direct Monthly Div.	55,601,120	52,929,629
64,826.682 (61,404.235) units of SBI Ultra Short Term Debt Fund Direct Daily Div.	65,027,566	61,586,823
22,197.389 (20,959.641) units of UTI-Treasury Advantage Fund IP Direct Daily Div.	22,249,641	21,008,980
54,245.861 (51,450.452) units of UTI-Liquid Fund Cash Plan IP Direct Daily Div.	55,300,709	52,450,942
55,250.959 (52,282.034) units of Reliance Money Manager Fund - Direct - Daily Div.	55,369,344	52,392,335
2,911,574.325 (2,778,148.074) units of Reliance Short Term Fund Direct Monthly Div.	31,996,189	30,522,793
9,273,620.37 (8,828,930.404) units of DSP Black Rock Banking & PSU Debt Fund Direct Weekly Div.	94,570,217	90,000,000
6,776,526.192 (3,540,710.445) units of Reliance Medium Term Fund Direct Daily Div.	115,850,814	60,531,632
604,340.284 (570,823.723) units of ICICI Prudential Flexible Income Direct Daily Div.	63,900,404	60,356,503
Carried Over Rs.	861,338,480	982,703,483

**NOTE 14 : CURRENT INVESTMENTS AT COST : (Contd.)**

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Brought Over Rs.	861,338,480	982,703,483
31,759.410 (30,122.09) units of IDFC Cash Fund - Direct Daily Div.	31,776,766	30,138,307
73,947.212 (70,136.402) units of DSP BlackRock Liquidity Fund Direct Daily Div.	73,971,691	70,158,581
4,178,873.363 (-) units of Reliance Banking & PSU Debt Fund Direct Weekly Div.	41,806,621	-
58,358.291 (-) units of UTI-Floating Rate Fund - STP Direct Daily Div.	62,844,742	-
2,901,773.958 (-) units of SBI Short Term Debt Fund Direct Weekly Div.	30,616,907	-
51,198.055(-) units of Axis Liquid Fund Direct Daily Div.	51,214,605	-
6,078,345.841 (-) units of ICICI Prudential Ultra Short Term Direct Daily Div.	61,430,194	-
2,995,865.705 (-) units of Reliance Quarterly Interval Fund Series II Direct - Dividend	30,000,000	-
30,244.124 (-) units of SBI Treasury Advantage Fund Direct Daily Div.	30,425,185	-
3,997,761.254(-) units of Reliance Yearly Interval Fund Series 1 Direct - Dividend	40,000,000	-
39,304.177 (-) units of HDFC Liquid Fund Direct Plan Daily Div.	40,083,186	-
4,015,209.821. (-) units of DSP BlackRock Ultra Short Term Fund - Direct Weekly Div.	40,318,328	-
80,005.868 (-) units of HSBC Cash Fund Direct Daily Div.	80,050,672	-
Less: Aggregate provision for diminution in value	(4,015,000)	(2,071,000)
<b>Total</b>	<b>1,471,862,377</b>	<b>1,080,929,371</b>

	Book Value as at		Market Value as at	
	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.
Quoted	1,471,862,377	1,080,929,371	1,475,649,305	1,089,175,955
Unquoted	-	-		
Total Rs.	<u>1,471,862,377</u>	<u>1,080,929,371</u>		



	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 15: INVENTORIES</b>			
<b>Raw Materials :</b>		<b>340,533,295</b>	375,378,553
(Includes Rs.1,665,159/- (Rs.3,749,119/-) in transit)			
<b>Work-in-progress :</b>		<b>168,564,998</b>	126,250,509
<b>Finished Goods, at cost or net realisable value whichever is lower</b>		<b>43,806,478</b>	56,707,185
<b>Stores &amp; Spares :</b>		<b>20,938,898</b>	20,053,658
<b>Total</b>		<b>573,843,669</b>	578,389,905

**NOTE 16: TRADE RECEIVABLES : UNSECURED**

Trade Receivables - Unsecured Considered Good			
(a) Outstanding over six months	145,730,350		116,339,992
(b) Others	1,369,783,778		1,652,933,005
		<b>1,515,514,128</b>	1,769,272,997
<b>Total</b>		<b>1,515,514,128</b>	1,769,272,997

**NOTE 17: CASH AND BANK BALANCES :**

Cash & Cash Equivalent :			
Cash on hand	308,980		524,825
Balances with Banks :			
In Current Accounts	216,915,269		177,381,206
		<b>217,224,249</b>	177,906,031
Earmarked Balances with Banks (for Unclaimed Dividend)		<b>17,725,095</b>	14,928,674
<b>Total</b>		<b>234,949,344</b>	192,834,705

**NOTE 18: SHORT TERM LOANS AND ADVANCES :**

UNSECURED , GOOD :		113,832,892	129,117,945
<b>Total</b>		<b>113,832,892</b>	129,117,945

**NOTE 19: OTHER CURRENT ASSETS :**

Sundry Deposits		7,317,055	7,875,305
Balances with Central Excise		6,709,562	8,336,120
Taxes paid in Advance		148,395,558	95,600,195
<b>Total</b>		<b>162,422,175</b>	111,811,620

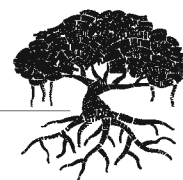
	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 20: REVENUE FROM OPERATIONS:</b>			
Sale of Products		5,051,688,895	4,255,624,826
Works Contract Sale		70,450,230	75,880,749
Sale of Services		416,044,501	421,195,196
		<u>5,538,183,626</u>	<u>4,752,700,771</u>
Less : Excise Duty & Service Tax		449,405,036	343,112,178
<b>Total</b>		<u><u>5,088,778,590</u></u>	<u><u>4,409,588,593</u></u>

**NOTE 21: OTHER INCOME:**

Dividend on Long Term Investments (Includes foreign dividend Rs.816,975/- Previous Year Rs. 652,189/-, Withholding tax Rs.81,691/- Previous Year Rs. 65,219/-)	24,418,760	11,827,939
Dividend on Current Investments	68,467,527	47,573,758
Interest Received (Gross) (Tax deducted Rs.64,647/-, Previous Year Rs.54,954/-)	2,329,490	2,220,117
Insurance Claim Received	390,444	168,472
Miscellaneous Receipts	44,880,926	25,402,811
Profit on Sale of Investments	9,358,064	91,851,824
Surplus on Sale of Assets	31,345,348	3,361,971
Bad Debts / Liquidated Damages Recovered	29,811,323	-
Adjustments to carrying amount of Investments	-	9,429,000
<b>Total</b>	<u><u>211,001,882</u></u>	<u><u>191,835,892</u></u>

**NOTE 22: COST OF MATERIALS CONSUMED :**

Raw Materials (including components) consumed :		
Stocks at commencement	375,378,553	232,704,729
Add :Purchases	2,685,722,416	2,424,360,866
	<u>3,061,100,969</u>	<u>2,657,065,595</u>
Less :Stocks at close	340,533,295	375,378,553
	<u>2,720,567,674</u>	<u>2,281,687,042</u>
<b>Total</b>	<u><u>2,720,567,674</u></u>	<u><u>2,281,687,042</u></u>



	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 23: CHANGES IN INVENTORIES :</b>			
(Increase) / Decrease in Stocks :			
Finished Goods			
Stocks at close	43,806,478		56,707,185
Stocks at commencement	56,707,185		28,217,177
		12,900,707	(28,490,008)
Work-in-Progress			
Stocks at close	168,564,998		126,250,509
Stocks at commencement	126,250,509		128,676,316
		(42,314,489)	2,425,807
<b>Total</b>		<b>(29,413,782)</b>	<b>(26,064,201)</b>

**NOTE 24: EMPLOYEE BENEFITS EXPENSES:**

Salaries, Wages, Bonus, etc.		664,648,956	668,674,525
Incentive		21,567,961	9,991,283
Contribution to Provident and Other Funds, etc.		52,192,168	58,649,839
Welfare Expenses		81,175,180	84,950,211
<b>Total</b>		<b>819,584,265</b>	<b>822,265,858</b>

**NOTE 25: FINANCE COSTS :**

**Interest:**

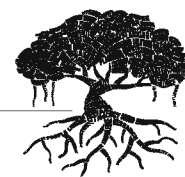
Other than on Borrowings		156,554	188,702
<b>Total</b>		<b>156,554</b>	<b>188,702</b>

**NOTE 26: DEPRECIATION AND AMORTISATION EXPENSE :**

Depreciation and impairment of tangible assets		153,184,383	169,315,644
Amortisation of intangible assets		37,712,295	19,711,305
<b>Total</b>		<b>190,896,678</b>	<b>189,026,949</b>



	Current Year Rs.	Previous Year Rs.
<b>NOTE 27: OTHER EXPENSES:</b>		
Stores and Spares Consumed	99,972,752	101,768,381
Manufacturing Expenses	247,220,318	230,538,240
Power, Fuel and Water	83,610,966	75,019,689
Building Repairs	14,621,153	17,969,437
Machinery Repairs	36,572,335	23,651,111
Sundry Repairs	15,107,571	15,873,329
Rent	9,636,670	10,533,341
Rates and Taxes	7,767,227	12,687,877
Insurance	7,457,629	8,563,702
Commission and Discount	113,420,918	125,879,715
Royalty	15,123,900	13,100,266
Travelling Expenses	79,576,990	87,933,041
Excise Duty, net	10,854,689	7,978,351
Sales Tax	577,141	2,852,154
Postage, Telephones, Telex Expenses	19,248,192	19,235,158
Bank Charges	11,575,233	12,167,418
Freight Outward	29,081,692	33,844,735
Vehicle Expenses	21,566,649	20,529,334
Printing and Stationery	7,086,652	7,134,991
Legal and Professional Charges	45,030,918	42,504,623
Advertisement and Publicity Expenses	9,021,063	13,132,464
Donations	2,500,000	5,250,000
Auditors' Remuneration	2,279,727	2,252,649
Directors' Fees and Travelling Expenses	8,039,271	3,924,457
Director's Remuneration :		
Salary	35,100,000	18,600,000
Loss on Assets sold	2,389,198	-
Bad Debts and Sundry Debit Balances written off	20,176,669	7,817,078
Liquidated Damages	32,891,767	34,277,725
Adjustments to carrying amount of Investments	1,944,000	-
CSR Expenditure	10,018,519	16,988,775
Miscellaneous Expenses	82,071,314	78,120,499
<b>Total</b>	<b>1,081,541,123</b>	<b>1,050,128,540</b>



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016**

**28 Disclosure pursuant to Accounting Standard - 15 ( Revised ) " Employee Benefits " :**

a. Defined Contribution Plans:

Amount of Rs. 39,554,538/- (Previous Year Rs. 46,555,211/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 24 in the Profit and Loss Account.

b. Defined Benefit Plans:

i Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit Obligation at the beginning of the year	<b>154,463,829</b>	162,682,659
b. Interest cost	<b>11,361,962</b>	11,725,111
c. Past service cost	<b>2,136,430</b>	-
d. Current service cost	<b>12,808,940</b>	11,882,133
e. Actuarial Losses / (Gains)	<b>(3,710,688)</b>	411,471
f. Benefits paid	<b>17,595,293</b>	32,237,545
g. Present value of Defined Benefit Obligation at the close of the year	<b>159,465,180</b>	154,463,829

ii Changes in the fair value of Plan Assets and the reconciliation thereof:

	<b>Gratuity</b>	
a. Fair value of Plan Assets at the beginning of the year	<b>142,465,324</b>	150,743,069
b. Add : Expected return on Plan Assets	<b>12,245,544</b>	12,306,188
c. Add / (Less) : Actuarial (Losses) / Gains	<b>(2,286,530)</b>	(382,101)
d. Acquisition adjustment	-	-
e. Add : Contributions	<b>12,562,792</b>	12,035,713
f. Less: Benefits Paid	<b>17,595,293</b>	32,237,545
g. Fair value of Plan Assets at the close of the year (includes Rs.28.95 Lacs with trust, previous year Rs.30.51 Lacs)	<b>147,391,837</b>	142,465,324

iii Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

	<b>Gratuity</b>	
a. Present value of Defined Benefit obligation	<b>159,465,180</b>	154,463,829
b. Less: Fair value of Plan Assets - with LIC	<b>144,496,788</b>	139,413,920
c. Less: Fair value of Plan Assets - with Trust	<b>2,895,049</b>	3,051,404
d. Total Fair Value of Plan Assets	<b>147,391,837</b>	142,465,324
e. Net Liability / ( Asset) recognised in the Balance Sheet	<b>12,073,343</b>	11,998,505

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**2015-16**                      **2014-15**  
**Rs.**                                      **Rs.**

iv Amount recognised in the Profit and Loss Account are as follows

	<b>Gratuity</b>	
a. Current Service Cost	<b>12,808,940</b>	11,882,133
b. Past Service Cost	<b>2,136,430</b>	-
c. Interest Cost	<b>11,361,962</b>	11,725,111
d. Expected return on Plan Assets	<b>12,245,544</b>	12,306,188
e. Actuarial Losses / (Gains)	<b>(1,424,158)</b>	793,572
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	<b>12,637,630</b>	12,094,628

v Broad Categories of plan assets as at 31.03.16

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

vi Actuarial Assumptions at the Balance Sheet date:

	<b>Gratuity</b>	
a. Discount Rate	<b>7.90%</b>	7.80%
b. Expected rate of return on Plan Assets	<b>8.75%</b>	8.75%
c. Salary Escalation rate	<b>5.00%</b>	5.00%

<b>Particulars</b>	<b>For the year ended March 31, 2016</b> <b>Rs.</b>	For the year ended March 31, 2015 <b>Rs.</b>	For the year ended March 31, 2014 <b>Rs.</b>	For the year ended March 31, 2013 <b>Rs.</b>
Defined Benefit Obligation	<b>159,465,180</b>	154,463,829	162,682,659	171,052,744
Plan Assets	<b>147,391,837</b>	142,465,324	150,743,069	163,924,541
(Surplus) / Deficit	<b>12,073,343</b>	11,998,505	11,939,590	7,128,203
Experience Adjustment on plan liabilities (gain)/ loss	<b>(4,613,682)</b>	(2,672,645)	3,488,751	4,935,680
Experience Adjustment on plan assets (gain)/ loss	<b>2,286,530</b>	382,101	(252,902)	877,174

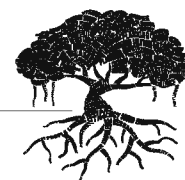
The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii General Descriptions of significant Defined Benefit plans:

Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

viii The company has valued the compensated absences, as specified in AS 15 ( Revised) on actuarial basis. Further Para 132 of AS 15 ( Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 ( Revised 2005).



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**29 Details of Segment Reporting:**

		2015-16			2014-15		
A. Information about Business Segment - Primary (See Note below)		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
Sr. No.	Particulars	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	4,524,576,559	564,202,031	5,088,778,590	3,862,632,353	546,956,240	4,409,588,593
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	4,524,576,559	564,202,031	5,088,778,590	3,862,632,353	546,956,240	4,409,588,593
2	Result						
	Segment Result	775,434,788	(72,177,831)	703,256,957	530,212,583	(66,977,397)	463,235,186
	Less: Unallocable Corporate Expenses (Net of Income)			186,652,443			178,854,889
	Operating Profit before Interest			516,604,514			284,380,297
	Less: Interest			156,554			188,702
	Profit before Tax			516,447,960			284,191,595
3	Other Information						
	Segment Assets	2,274,591,188	371,652,059	2,646,243,247	2,468,952,652	593,655,544	3,062,608,196
	Add: Unallocable common assets			2,367,352,519			1,887,188,748
	Total Assets			5,013,595,766			4,949,796,944
	Segment Liabilities	1,500,458,463	113,601,011	1,614,059,474	1,628,886,011	192,470,170	1,821,356,181
	Add: Unallocable common liabilities			197,021,927			177,235,532
	Total Liabilities			1,811,081,401			1,998,591,713
4	Capital Expenditure During the year	21,527,808	5,736,835	27,264,643	14,232,040	3,453,288	17,685,328
5	Depreciation and Impairment	108,818,164	65,323,208	174,141,372	109,240,446	61,431,160	170,671,606
	Add: Unallocable Depreciation			16,755,306			18,355,343
				190,896,678			189,026,949
B	Secondary Segment-Geographical by Customers						
1	Segment Revenue						
	In India			4,932,758,625			4,209,557,833
	Outside India			156,019,965			200,030,760
	Total			5,088,778,590			4,409,588,593

**C Other Disclosures**

1. Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking into account the organisation structure as well as the differing risks and returns.

2. Company has disclosed Business Segment as the primary segment.

3. Composition of Business Segment

Name of the Segment :

Comprises of :

a) Compression Systems

Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.

b) Transmission Equipments

Power Transmission Equipments (Torque Converter) , Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.

4. The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

5. The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 50 to the Financial Statement.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

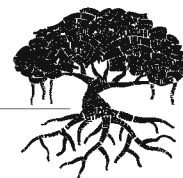
**30. Disclosure of Transactions with Related Parties as required by the AS -18:**

(A) Name of the related party and nature of relationship where control exists

Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd. (up to 30 <sup>th</sup> June 2015) Pneumatic Holdings Ltd. (from 1 <sup>st</sup> July 2015)	
2) Subsidiary Company	Kirloskar RoadRailer Ltd.	
3) Fellow Subsidiary	Kirloskar Oil Engines Ltd. (up to 30 <sup>th</sup> June 2015) Pneumatic Holdings Ltd. (up to 30 <sup>th</sup> June 2015 )	
4) Associate Company	Kirloskar Chillers Pvt. Ltd.	
5) Key Management Personnel	Mr Rahul C Kirloskar Mr Aditya Kowshik	Executive Chairman Managing Director
6) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar Mrs Suman C Kirloskar Mr Atul C Kirloskar Ms Alika Rahul Kirloskar Mrs Kavita Kowshik	Wife Mother Brother Daughter Wife
7) Enterprise over which key management personnel exercise control/significant influence	Kirloskar Integrated Technologies Pvt. Ltd. Alpak Investment Pvt. Ltd. Snow Leopard Momentum LLP Green Tek Systems (India) Pvt. Ltd. Kirloskar Oil Engines Ltd. (from 1 <sup>st</sup> July 2015) Kirloskar Energen Pvt. Ltd. Snow Leopard Global Technology LLP (from 20 <sup>th</sup> Jan 2016)	

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**(B) Related Party Transactions**

Amount in Rs.

Nature of Transaction	Year	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which key management personnel exercise control/significant influence	Total
Purchase of Goods/ Assets	2015-16	-	-	1,613,125	-	-	-	12,469,375	14,082,500
	2014-15	-	-	6,726,054	-	-	-	426,079	7,152,133
Sale of Goods / Assets	2015-16	-	-	-	805,847	-	-	-	805,847
	2014-15	-	-	-	587,052	-	-	-	587,052
Services Given	2015-16	-	-	-	28,090	-	-	-	28,090
	2014-15	-	-	-	785,480	-	-	-	785,480
Services Received	2015-16	-	-	-	-	43,905,516	300,000	-	44,205,516
	2014-15	-	-	281,667	242,500	26,447,840	-	-	26,972,007
Rent Received	2015-16	-	12,000	-	508,200	-	-	-	520,200
	2014-15	-	45,000	-	508,200	-	-	-	553,200
Dividend Received	2015-16	-	-	-	17,550,000	-	-	-	17,550,000
	2014-15	-	-	-	7,350,000	-	-	-	7,350,000
Rent Paid	2015-16	5,019,936	-	-	-	-	1,800,000	-	6,819,936
	2014-15	971,601	-	-	-	-	1,800,000	-	2,771,601
Dividend Paid	2015-16	83,930,112	-	-	-	1,386,948	2,642,832	600	87,960,492
	2014-15	69,941,760	-	-	-	1,155,790	2,207,730	500	73,305,780
Buyback of Shares by Associate Co.	2015-16	-	-	-	-	-	-	-	-
	2014-15	-	-	-	50,000,000	-	-	-	50,000,000
Balance Outstanding Receivable	2015-16	-	330,169,860	-	-	-	-	121,074	330,290,934
	2014-15	-	330,169,860	1,253,302	-	-	-	-	331,423,162
Payable	2015-16	-	-	-	-	16,500,000	300,000	2,464,647	19,264,647
	2014-15	-	-	-	-	-	-	-	-
Deposit receivable	2015-16	-	-	-	-	-	10,000,000	-	10,000,000
	2014-15	-	-	-	-	-	10,000,000	-	10,000,000
Deposit payable	2015-16	-	-	-	420,000	-	-	-	420,000
	2014-15	-	-	-	420,000	-	-	-	420,000
Investment	2015-16	-	45,700,000	-	3,900,000	-	-	-	49,600,000
	2014-15	-	45,700,000	-	3,900,000	-	-	-	49,600,000

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 31 and to Relatives of Key Managerial Personnel.

There are no loans and advances given in the nature of loans to above mentioned Related Parties.

There are no loans and advances given in the nature of loans to firms/companies in which directors are interested.

**31 Managerial Remuneration :**

During the year Company had made an application to Central Government (The Ministry of Corporate Affairs) seeking approval for the remuneration payable to the Executive Chairman due to inadequacy of profits for the year 2014-15. The Ministry of Corporate Affairs vide its letter dated 15<sup>th</sup> January, 2016 rejected the application on the ground that Company had paid remuneration exceeding 5% of net profits to the Executive Chairman during the financial years 2012-13 & 2013-14 without obtaining prior approval of the Central Government and further directed recovery of excess remuneration paid amounting to Rs.200.39 lacs (Rs.131.04 lacs net of tax). Company was advised to make an application to the Central Government for seeking waiver of recovery of this amount and accordingly, Company has made the requisite application to the Central Government. The said application is pending for approval and therefore Company has not recovered any amount nor accounted it as recoverable in the books of accounts as on 31<sup>st</sup> March 2016.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

- a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

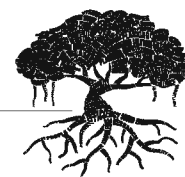
	2015-16			2014-15		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	6,000,000	18,000,000	12,000,000	6,000,000	18,000,000
House Rent Allowance	-	600,000	600,000	-	600,000	600,000
Commission	8,500,000	8,000,000	16,500,000	-	-	-
Contribution to Provident Fund, Superannuation and Gratuity :	2,540,000	2,120,000	4,660,000	2,540,000	1,920,000	4,460,000
Other perquisites	3,203,610	941,906	4,145,516	2,849,709	538,131	3,387,840
<b>Gross Remuneration</b>	<b>26,243,610</b>	<b>17,661,906</b>	<b>43,905,516</b>	<b>17,389,709</b>	<b>9,058,131</b>	<b>26,447,840</b>
Less : Contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Act.	-	-	-	2,040,000	1,070,000	3,110,000
<b>Remuneration paid</b>	<b>26,243,610</b>	<b>17,661,906</b>	<b>43,905,516</b>	<b>15,349,709</b>	<b>7,988,131</b>	<b>23,337,840</b>
<b>Approved by Shareholders</b>	-	-	-	<b>16,000,000</b>	<b>8,000,000</b>	<b>24,000,000</b>

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.

- b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

	2015-16	2014-15
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	<b>516,447,960</b>	284,191,595
2 <b>ADD.</b>		
Directors Remuneration	<b>48,000,516</b>	26,447,840
Loss on sale of Assets	<b>2,389,198</b>	-
	<b>566,837,674</b>	310,639,435
3 <b>LESS</b>		
Profit on sale of Assets & Investments	<b>34,039,307</b>	104,642,795
	<b>34,039,307</b>	104,642,795
Net Profit U/S 197	<b>532,798,367</b>	205,996,640
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	<b>53,279,837</b>	Subject to approval of Central Government due to inadequacy of profit. See Note above
Restricted to		
Executive Chairman	<b>26,243,610</b>	
Managing Director	<b>17,661,906</b>	
Maximum permissible Commission payable to Non Executive Directors	<b>5,327,984</b>	NIL
Restricted to	<b>4,095,000</b>	


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**
**32 Leases:**

The Company has entered into agreements in the nature of Lease/Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per accounting standard 19 with regard to the above is as under:

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs.7,495,301/- (Rs. 9,010,167/-)
  - 2) Later than 1 year but not later than 5 years Rs. 3,504,060/- (Rs. 9,365,596/-)
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2016 amounts to Rs. 9,636,670/- (Rs. 10,533,341/-)
- d. Period of Agreement is generally for eleven months, in some cases extending upto five years and renewable at the option of Lessee.

**33 Intangible assets:**

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation is amortized on commencement of commercial production. Software is being amortized on pro rata basis from the month of installation, over a period of one year.

**34 Capital and other commitments:**

	2015-16 Rs.	2014-15 Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	49,785,548	7,595,847
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31 <sup>st</sup> March 2016.	703,530,045	1,002,170,826

**35 Payment to Auditors (Net of Service Tax):**

(a) As Auditors	1,933,875	1,925,000
(b) In Other Capacity		
For Tax Audit	300,000	300,000
	<u>2,233,875</u>	<u>2,225,000</u>
(c) For Expenses	45,852	27,649
	<u>2,279,727</u>	<u>2,252,649</u>

**36 Proposed dividend:**

Dividend recommended per share	-	5
Dividend %	-	50



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**37 A. Contingent Liabilities not provided for in respect of :**

	<b>2015-16 Rs.</b>	<b>2014-15 Rs.</b>
Claims against the Company not acknowledged as Debts, estimated at	<b>151,846,164</b>	403,330,576
Disputed Central Excise Matters	<b>3,124,091</b>	1,844,298
Disputed Customs Matters	<b>1,454,000</b>	1,454,000
Disputed Sales Tax Demands	<b>69,615,278</b>	69,615,414
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	<b>4,275,000</b>	6,407,829

**B. Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration.**

The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable and therefore management does not anticipate any financial impact on this account.

**38 Foreign Exchange Derivatives and Exposures hedged / not hedged at close of the year:**

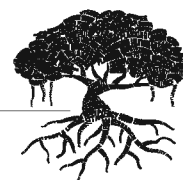
**(A) Foreign Exchange Derivatives**

<b>Nature of Instrument</b>	<b>Currency</b>	<b>Sale / Purchase</b>	<b>31.03.2016</b>	<b>31.03.2015</b>
Forward Contracts	USD	Purchase	<b>266,515</b>	79,125
	GBP	Purchase	<b>95,197</b>	-
	EURO	Purchase	<b>67,395</b>	278,428

**(B) Exposure not hedged**

<b>Nature of Instrument</b>	<b>Currency</b>	<b>31.03.2016</b>	<b>31.03.2015</b>
Receivable	USD	<b>591,650</b>	249,221
	GBP	<b>39,000</b>	14,220
	EURO	-	6,800
Payable	USD	<b>127,428</b>	350,585
	GBP	<b>30,404</b>	67,642
	EURO	<b>71,315</b>	66,918
	JPY	<b>269,994</b>	-
	SEK	<b>133,271</b>	96,000

**(c) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs.Nil, Previous Year Rs.2,072,300/-) since such differences are in the nature of loss & in Miscellaneous Receipts (Rs.2,905,259/-, Previous Year Rs. Nil ) since such differences are in the nature of gain.**



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**39** Miscellaneous expenses includes prior period items of Rs.1,173,426/- (PY Rs.3,656,754/-)

**40** The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2016.

	2015-16 Rs.	2014-15 Rs.
<b>41 Details of Work-in-Progress:</b>		
Compression Systems	115,289,463	68,681,414
Gears	40,012,138	48,960,169
Others	13,263,397	8,608,926
	<u>168,564,998</u>	<u>126,250,509</u>

**42 Value of Imports calculated on CIF basis:**

Raw Materials	398,773,822	342,762,180
Components & Spares	44,066,260	46,091,321
Capital Goods	-	1,177,593
	<u>442,840,082</u>	<u>390,031,094</u>

**43 Expenditure in Foreign Currencies:**

(i) Royalty	1,706,798	1,314,919
(ii) Professional Fees	6,502,605	31,285,890
(iii) Other matters	24,310,795	24,634,478

**44 Details of raw material consumed:**

Steel Bars and Plates	7,948,051	6,362,371
Pipes	8,173,313	9,040,632
Castings	37,240,295	42,578,788
Forgings	151,481,535	185,766,277
Foundry Raw material	19,377,097	23,654,026
Components	2,259,542,624	1,854,169,698
Others	236,804,759	160,115,250
	<u>2,720,567,674</u>	<u>2,281,687,042</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

**45 Imported and Indigenous Raw Materials, Components & Spares Consumption :**

	2015-16		2014-15	
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	448,011,516	16.47	330,329,419	14.48
Indigenously obtained	1,963,020,486	72.15	1,642,514,499	71.99
	<b>2,411,032,002</b>	<b>88.62</b>	<b>1,972,843,918</b>	<b>86.47</b>
<b>Spares</b>				
Imported	55,186,113	2.03	56,393,907	2.47
Indigenously obtained	254,349,559	9.35	252,449,217	11.06
	<b>309,535,672</b>	<b>11.38</b>	<b>308,843,124</b>	<b>13.53</b>

	2015-16	2014-15
	Rs.	Rs.
<b>46 Earnings in Foreign Currencies:</b>		
(i) F.O.B. Value of Exports	156,019,965	200,030,760
(ii) Dividend Received	816,975	652,189
(iii) Supervision Charges	9,489,204	-

**47 A. Deferred tax asset / liability :**

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs.4,340,161/- in the Profit and Loss Account, the details of which are as under:

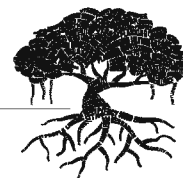
Particulars	Rupees		
	Balance as at 1 <sup>st</sup> April 2015	Arising During the Year	Balance as at 31 <sup>st</sup> March 2016
I. Deferred Tax Liabilities			
a. Depreciation	24,279,712	(4,746,886)	19,532,826
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	32,760,512	(406,725)	32,353,787
Net Deferred Tax Liability	(8,480,800)	(4,340,161)	(12,820,961)

**B.** Current Tax includes Rs. 720,360/- (PY credit of Rs. 12,653,469/-) in respect of earlier years.

**48** Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs.9,866,086/- (PY Rs.15,623,160/-).

Amount spent during the year

	Particulars	Rupees		
		In Cash	Yet to be paid in cash	Total
1	Construction / acquisition of any asset	Nil	Nil	Nil
2	On purpose other than (1) above			
	Direct Expenditure	Rs.2,518,519/- (PY Rs.1,988,775/-)	Nil	Rs.2,518,519/- (PY Rs.1,988,775/-)
	Contribution by way of Donation	Rs.7,500,000/- (PY Rs.15,000,000/-)		Rs.7,500,000/- (PY Rs.15,000,000/-)

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

49 Tangible Fixed Assets have been mortgaged to consortium of the banks as a security for working capital limits.

**50 Significant accounting policies :****A. System of Accounting :**

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.

**B. Tangible assets**

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Depreciation on Assets (other than Freehold Land) :
  - (i) With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year in double or triple shift, depreciation is being calculated on the basis of Note 6 of the said schedule.
  - (ii) Depreciation on Vehicle is being provided over a period of five years, being the estimated useful life of the asset to the company.
  - (iii) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
  - (iv) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
  - (v) Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
  - (vi) Assets are reviewed for impairment annually, based on future economic useful life of assets. Impaired assets so identified are valued at recoverable cost.

**C. Intangible assets :**

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.33)

**D. Investments :**

- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

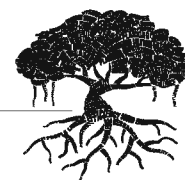
**E. Inventories :**

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
  - (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
  - (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
  - (iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
  - (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
  - (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
  - (vii) Excise / Customs Duty :  
Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.
- F. Foreign Currency Conversion :
- a. Initial Recognition  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
  - b. Conversion  
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.
  - c. Forward Contracts  
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.
- G. Borrowing Cost :
- Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- H. Sales :
- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
  - (ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
  - (iii) Construction Contract Sales :  
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.
- I. Income Tax :
- Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.
- Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)****J. Employee Benefits :****(A) Short term Employee Benefits :**

All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia etc. and are recognised in the period in which the employee renders the related service.

**(B) Post Employment Benefits :****(i) Defined Contribution Plans :**

The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

**(ii) Defined Benefits Plans:**

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method, as at the date of the balance Sheet.

**(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.****(iv) Termination benefits are recognised as an expense as and when incurred.****K. Provisions :**

Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

**51** Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of the Board of Directors

**For M/s P.G.Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**S.S.Athavale**  
Partner  
Membership No. 83374

**Jitendra Shah**  
Company Secretary

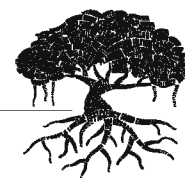
**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 27, 2016

Pune, April 27, 2016

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# **CONSOLIDATED FINANCIAL STATEMENTS**



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Kirloskar Pneumatic Company Limited (herein referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") & its Associate, comprising of the consolidated Balance Sheet as at March 31, 2016, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

**Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act 2013 (hereinafter referred to as the "the Act") that gives a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group and of its Associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are responsible and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**Basis for qualified opinion**

Ministry of Corporate Affairs has directed the holding company to recover the remuneration in excess of 5% of the net profits u/s 349 of the Companies Act 1956, paid to Executive Chairman for FY 2012-13 & 2013-14. Company's application for payment of minimum remuneration for the year 2014-15 has been rejected for this reason and therefore remuneration paid in excess of limits specified in Schedule V of the Companies Act, 2013 also is required to be recovered. Such excess remuneration amounts to Rs. 200.39 lakhs. The company has filed Form MR-2 with the Ministry for waiver of the said recovery and therefore the company has not recovered this amount nor accounted for the recoverable amount. As a result, the profits of the Group and its associate for the year ended 31st March 2016 are lower by Rs. 131.04 lakhs (net of Tax) & correspondingly the Reserves & Surplus are also lower by the same amount. (refer Note No. 31)

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

**Other Matters**

We did not audit the financial statements / financial information of the subsidiary whose financial statements / financial information reflect total assets of Rs.371,498,814/- as at 31st March, 2016, total revenues of Rs.50/- and net cash flows amounting to Rs.(1,586,507/-) for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs.23,387,435/- for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of the associate, whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and associate, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and associate company, none of the directors of the Group companies and its associate company is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) In our opinion there are no financial transactions or matters which have any adverse effect on the functioning of the Group and its associate.
- (g) The qualification relating to the non compliance with the directions of the Ministry of Corporate Affairs regarding the remuneration of Executive Chairman of the holding company is as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Group and its associate and the operating effectiveness of such controls, refer to our separate report in Annexure ;
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and its associate- Refer Note 37 to the consolidated financial statements.
  - ii. The Group and its associate did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company and associate company.

For M/S P G BHAGWAT

Chartered Accountants, [FRN : 101118W]

SSAthavale

Partner

Membership Number 83374

Pune: 27. 04. 2016

**ANNEXURE - TO THE AUDITORS' REPORT****Report on the Internal Financial Controls under Clause (l) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Kirloskar Pneumatic Company Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, and its associate company, which are companies incorporated in India, as of that date

**Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the of the Holding company, its subsidiary company and its associate company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and



the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion, the Holding Company, its subsidiary company, and its associate company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, and one associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For M/S P G BHAGWAT  
Chartered Accountants, [FRN : 101118W]

S S Athavale  
Partner  
Membership Number 83374

Pune: 27. 04. 2016

CONSOLIDATED BALANCE SHEET AS AT 31 <sup>st</sup> MARCH, 2016				As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Note No.	Rs.	Rs.	Rs.	
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) SHAREHOLDERS' FUNDS :</b>					
(a) Share Capital	1	128,443,380		128,443,380	
(b) Reserves & Surplus	2	3,161,926,415		2,902,094,777	
			3,290,369,795	3,030,538,157	
<b>(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>					
<b>(3) NON CURRENT LIABILITIES :</b>					
(a) Long Term Borrowings		-		-	
(b) Deferred Tax Liability ( Net )		-		-	
(c) Other Long Term Liabilities	3	6,301,968		6,640,885	
(d) Long Term Provisions	4	45,375,461		44,846,018	
			51,677,429	51,486,903	
<b>(4) CURRENT LIABILITIES :</b>					
(a) Short Term Borrowings		-		-	
(b) Trade Payables	5	-		-	
(i) Due to Micro, Small and Medium Enterprises		-		-	
(ii) Other Trade Payables		935,491,723		955,099,933	
(c) Other Current Liabilities	6	642,575,714		811,801,177	
(d) Short Term Provisions	7	181,361,335		180,208,700	
			1,759,428,772	1,947,109,810	
<b>Total</b>			<b>5,101,475,996</b>	<b>5,029,134,870</b>	
<b>II. ASSETS :</b>					
<b>(1) NON CURRENT ASSETS :</b>					
(a) Fixed Assets					
(i) Tangible Assets	8	719,486,868		842,719,788	
(ii) Intangible Assets	9	97,929,207		127,874,703	
(iii) Capital work in progress		302,584,559		302,092,223	
(b) Non Current Investments	10	135,794,247		129,944,762	
(c) Deferred Tax Assets ( Net )	11	12,820,961		8,480,800	
(d) Long Term Loans and Advances	12	38,243,123		33,909,259	
(e) Other Non Current Assets	13	5,314,174		3,243,228	
			1,312,173,139	1,448,284,763	
<b>(2) CURRENT ASSETS :</b>					
(a) Current Investments	14	1,471,862,377		1,080,929,371	
(b) Inventories	15	573,843,669		578,389,905	
(c) Trade Receivables	16	1,185,344,268		1,439,103,137	
(d) Cash and Bank Balances	17	248,950,879		208,422,748	
(e) Short Term Loans and Advances	18	114,568,222		129,917,945	
(f) Other Current Assets	19	194,735,442		144,107,001	
			3,789,302,857	3,580,870,107	
<b>Total</b>			<b>5,101,475,996</b>	<b>5,029,134,870</b>	

Notes forming part of the Financial Statements

1 - 51

As per our attached report of even date.

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

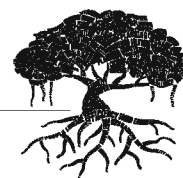
Aditya Kowshik  
Managing Director  
DIN - 00226983

Rahul C. Kirloskar  
Executive Chairman  
DIN - 00007319

S.S. Athavale  
Partner  
Membership No. 83374  
Pune, April 27, 2016

Jitendra Shah  
Company Secretary

Suhas S. Kolhatkar  
Vice President & Chief Financial Officer  
Pune, April 27, 2016


**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016**

	Note No.	Current Year Rs.	Previous Year Rs.
I Net Revenue from Operations	20	5,088,778,590	4,409,588,593
II Other Income	21	193,439,932	135,440,942
III Total Revenue ( I + II )		<u>5,282,218,522</u>	<u>4,545,029,535</u>
IV EXPENSES :			
Cost of Materials Consumed	22	2,720,567,674	2,281,687,042
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(29,413,782)	(26,064,201)
Employee Benefits Expenses	24	819,584,265	822,265,858
Finance Costs	25	156,874	188,862
Depreciation and Amortization Expense	26	190,896,678	189,026,949
Other Expenses	27	1,083,183,945	1,052,612,469
Total Expenses		<u>4,784,975,654</u>	<u>4,319,716,979</u>
V Profit before Exceptional and Extraordinary Items and Tax ( III - IV )		497,242,868	225,312,556
VI Exceptional Items		-	-
VII Profit before Extraordinary Items and Tax (V-VI)		497,242,868	225,312,556
VIII Extraordinary Items		-	-
IX Profit before Tax (VII-VIII)		497,242,868	225,312,556
X Taxation :	47		
Current Tax (Net)		157,000,000	64,709,581
Deferred Tax		(4,340,181)	(6,270,572)
		<u>152,659,839</u>	<u>58,439,009</u>
<b>Profit (Loss) for the Period</b>		<u><b>344,583,029</b></u>	<u><b>166,873,547</b></u>
Share in profits of Associate Company		<u>23,387,435</u>	<u>12,372,158</u>
		<u><b>367,970,464</b></u>	<u><b>179,245,705</b></u>
Earning per Share :			
(1) Basic		28.65	13.96
(2) Diluted		28.65	13.96

Notes forming part of the Financial Statements

1- 51

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016**

PARTICULARS	Rs.	2015-2016 Rs.	2014-2015 Rs.
<b>(I) OPERATING ACTIVITIES</b>			
(A) PROFIT BEFORE TAXATION		497,242,868	225,312,556
(B) ADJUSTMENTS:			
Add :			
(i) Depreciation and Amortisation	190,896,678		189,026,949
(ii) Provision for Diminution in value of Investment	1,944,000		(9,429,000)
(iii) Bad Debts	20,176,669		7,817,078
(iv) Loss on Assets sold	2,389,198		-
(v) Interest on Secured / Unsecured Loans	156,874		188,862
		<u>215,563,419</u>	<u>187,603,889</u>
Less :			
(i) Investment Income included above :			
(a) Dividend	75,336,337		52,051,747
(b) Interest Received	2,329,490		2,220,117
		<u>77,665,827</u>	<u>54,271,864</u>
(ii) Surplus on Sale of Assets	31,345,348		3,361,971
(iii) Profit on Sale of Investment	9,358,064		42,851,824
(iv) Income Tax paid	131,515,723		85,748,724
		<u>249,884,962</u>	<u>186,232,383</u>
<b>CASH FROM OPERATIONS</b>		<u><b>462,921,325</b></u>	<u><b>226,684,062</b></u>
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	4,546,236		(160,360,269)
(ii) Sundry Debtors	231,511,254		(346,599,720)
(iii) Other Current Assets, Loans & Advances	18,805,581		(5,506,226)
		<u>254,863,071</u>	<u>(512,466,215)</u>
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		(191,195,683)	316,782,373
		<u>63,667,387</u>	<u>(195,683,842)</u>
<b>NET CASH FROM OPERATIONS</b>		<u><b>526,568,713</b></u>	<u><b>31,000,220</b></u>
<b>(II) INVESTMENT ACTIVITIES</b>			
(i) Investments, net	(383,530,992)		205,963,801
(ii) Capital Expenditure -Tangible Assets	(43,365,656)		(66,836,074)
(iii) Capital Expenditure -Intangible Assets	(7,766,799)		(12,715,636)
(iv) Sale proceeds of Assets	38,257,207		7,049,770
		<u>(398,406,240)</u>	<u>133,481,881</u>
(v) Investment Income :			
(a) Dividend	75,336,337		52,051,747
(b) Dividend received from Associate Company	17,550,000		7,350,000
(c) Interest Received	2,329,490		2,220,117
		<u>95,215,827</u>	<u>61,621,864</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u><b>(303,190,413)</b></u>	<u><b>195,083,725</b></u>
<b>(III) FINANCING ACTIVITIES</b>			
(i) Increase / (Decrease) in Secured Loans	-		-
(ii) Interest on Secured / Unsecured Loans	(156,874)		(188,862)
(iii) Dividend & Dividend Tax paid	(182,713,295)		(149,145,095)
<b>NET CASH FROM FINANCING ACTIVITY</b>		<u><b>(182,870,169)</b></u>	<u><b>(149,333,957)</b></u>
<b>NET CHANGE IN CASH + CASH EQUIVALENTS ( I + II + III )</b>		<u><b>40,528,131</b></u>	<u><b>76,749,988</b></u>
<b>Cash &amp; Cash Equivalents as at 1-4-2015 (Opening Balance)</b>		<u><b>208,422,748</b></u>	<u><b>131,672,760</b></u>
<b>Cash &amp; Cash Equivalents as at 31-3-2016 (Closing Balance)</b>		<u><b>248,950,879</b></u>	<u><b>208,422,748</b></u>

As per our attached report of even date.

For and on behalf of the Board of Directors

 For M/s P.G.Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

 S.S.Athavale  
Partner  
Membership No. 83374  
Pune, April 27, 2016

 Aditya Kowshik  
Managing Director  
DIN - 00228983

 Jitendra Shah  
Company Secretary

 Rahul C. Kirloskar  
Executive Chairman  
DIN - 00007319

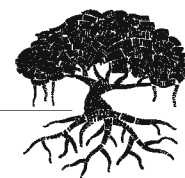
 Suhas S. Kolhatkar  
Vice President & Chief Financial Officer

Pune, April 27, 2016

**NOTES**

Note Nos. 1 - 51 annexed to and forming part of the Financial Statements for the year ended 31<sup>st</sup> March, 2016

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 1 : SHARE CAPITAL :</b>			
<b>EQUITY SHARES:</b>			
<b>AUTHORISED :</b>			
15,000,000 Equity Shares of Rs.10/- each		<u>150,000,000</u>	<u>150,000,000</u>
		<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>			
12,844,338 Equity Shares of Rs. 10/- each		<u>128,443,380</u>	<u>128,443,380</u>
		<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>			
12,844,338 Equity Shares of Rs.10/- each fully paid		<u>128,443,380</u>	<u>128,443,380</u>
	<b>Total</b>	<u><u>128,443,380</u></u>	<u><u>128,443,380</u></u>
<b>Rights attached to Equity Shares :</b>			
The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share.			
Each holder of equity share is entitled to one vote per share.			
<b>Share Holding Details :</b>			
		Nos.	Nos.
Shareholder holding more than 5%			
a) Pneumatic Holdings Ltd		6,994,176	-
		54.45%	-
b) Kirloskar Brothers Investments Ltd.		-	6,994,176
		-	54.45%
c) Kirloskar Industries Ltd.		1,186,866	1,186,866
		9.24%	9.24%
*d) Reliance Capital Trustee Co. Ltd.		1,098,303	1,115,294
		8.55%	8.68%
*e) HDFC Trustee Co. Ltd.		802,202	746,863
		6.25%	5.81%
* Consolidated holding of all schemes			
<b>NOTE 2 : RESERVES AND SURPLUS :</b>			
<b>Capital Reserve :</b>			
As per last Account		27,965	27,965
<b>Securities Premium (Share Premium) Account:</b>			
As per last Account		51,817,923	51,817,923
<b>General Reserve :</b>			
As per last Account	2,580,000,000		2,450,000,000
Less : Amount ( Net of Deferred Tax ) as per Note 7 (b) of Sch II of the Companies Act 2013	-		14,794,186
Add: Set aside this year	<u>270,000,000</u>		<u>144,794,186</u>
		<b>2,850,000,000</b>	<b>2,580,000,000</b>
<b>Surplus :</b>			
As per last Account	270,248,889		297,488,251
Add : Adjustment due to Buy back of shares by Associate Company	-		15,680,009
Add : Transferred from Statement of Profit & Loss Account	<u>387,970,464</u>		<u>179,245,705</u>
	<u>638,219,353</u>		<u>482,413,965</u>
Less :			
Transfer to General Reserve	270,000,000		144,794,186
Interim Dividend	89,910,388		-
Proposed Dividend	-		64,221,690
Tax on Dividend	<u>18,228,460</u>		<u>13,149,200</u>
	<u>378,138,826</u>		<u>222,165,076</u>
		<b>280,080,527</b>	<b>270,248,889</b>
	<b>Total</b>	<u><u>3,161,926,415</u></u>	<u><u>2,902,094,777</u></u>
<b>NOTE 3 : OTHER LONG TERM LIABILITIES :</b>			
Deposits Received		6,301,968	6,361,104
Other Liabilities		-	279,781
	<b>Total</b>	<u><u>6,301,968</u></u>	<u><u>6,640,885</u></u>
<b>NOTE 4 : LONG TERM PROVISIONS :</b>			
Provision for Employee Benefits		45,375,461	44,846,018
	<b>Total</b>	<u><u>45,375,461</u></u>	<u><u>44,846,018</u></u>
<b>NOTE 5 : TRADE PAYABLES :</b>			
(i) Due to Micro, Small and Medium Enterprises ( see Note 40 )	-		-
(ii) Other Trade Payables	<u>935,491,723</u>		<u>955,099,933</u>
	<b>Total</b>	<u><u>935,491,723</u></u>	<u><u>955,099,933</u></u>
<b>NOTE 6 : OTHER CURRENT LIABILITIES :</b>			
Unpaid Dividends		17,725,095	14,928,674
Advances Received		146,666,144	243,773,376
Other Payables		476,184,475	553,099,127
	<b>Total</b>	<u><u>642,575,714</u></u>	<u><u>811,801,177</u></u>
<b>NOTE 7 : SHORT TERM PROVISIONS :</b>			
Provision for Employee Benefits		25,081,695	24,837,810
Provision for Income Tax		156,279,640	78,000,000
Proposed Dividend		-	64,221,690
Tax on Dividend		-	13,149,200
	<b>Total</b>	<u><u>181,361,335</u></u>	<u><u>180,208,700</u></u>



**NOTE 8 : TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS							TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRICAL INSTALLATION RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	AS AT 31/03/2016 RS.	AS AT 31/03/2015 RS.
<b>GROSS BLOCK AT COST :</b>									
As at 01/04/2015	2,184,553	394,853,088	1,319,801,488	42,564,099	39,345,949	49,475,319	93,163,719	1,941,368,193	1,997,820,084
Additions	-	-	22,311,605	1,881,517	3,002,957	1,571,451	8,474,990	37,252,520	33,937,651
Deductions and adjustments	-	4,981,400	33,753,392	-	-	-	10,436,702	49,181,494	80,389,522
Cost As at 31/03/2016	2,184,553	389,861,688	1,308,359,681	44,455,616	42,348,906	51,046,770	91,202,007	1,929,439,219	1,941,368,193
<b>DEPRECIATION :</b>									
Up to 31/03/2015	-	100,036,378	884,771,399	20,568,099	26,179,278	31,361,052	55,732,201	1,098,648,405	993,622,445
Carrying amount as per Note 7 (b) of Sch II of the Companies Act 2013	-	-	-	-	-	-	-	-	22,412,038
For the year	-	16,392,340	93,888,228	3,801,835	6,898,688	3,515,662	14,085,999	138,162,750	169,315,644
Impairment during the year	-	-	15,021,633	-	-	-	-	15,021,633	-
Deductions and Adjustments	-	1,974,226	30,741,725	-	-	-	9,164,486	41,880,437	86,701,722
Total up to 31/03/2016	-	114,454,480	942,739,535	24,169,934	33,077,984	34,876,714	60,833,714	1,209,952,351	1,098,648,405
<b>NET BLOCK</b>									
As at 31/03/2016	2,184,553	275,407,198	365,620,146	20,285,682	9,270,942	16,170,056	30,568,293	719,486,868	642,719,788
As at 31/03/2015	2,184,553	294,816,710	455,030,069	21,996,000	13,166,671	18,114,267	37,431,518	842,719,788	-

a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)

For information on measurement basis, depreciation method used and useful lives (refer Note No. 50 B)

**NOTE 9 : INTANGIBLE ASSETS :**

PARTICULARS	INTANGIBLE ASSETS			
	SOFTWARES RS.	TECHNICAL KNOW HOW RS.	AS AT 31/03/2016 RS.	AS AT 31/03/2015 RS.
<b>GROSS BLOCK AT COST :</b>				
As at 01/04/2015	53,834,306	147,740,847	201,575,153	188,859,517
Additions	7,766,799	-	7,766,799	12,715,636
Cost As at 31/03/2016	61,601,105	147,740,847	209,341,952	201,575,153
<b>DEPRECIATION :</b>				
Up to 31/03/2015	49,584,483	24,115,967	73,700,450	53,989,145
For the year	10,664,125	27,048,170	37,712,295	19,711,305
Total up to 31/03/2016	60,248,608	51,164,137	111,412,745	73,700,450
<b>NET BLOCK</b>				
As at 31/03/2016	1,352,497	96,576,710	97,929,207	127,874,703
As at 31/03/2015	4,249,823	123,624,880	127,874,703	-

**NOTE 10 : NON CURRENT INVESTMENTS (LONG TERM) :**

	Rs.	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>INVESTMENTS AT COST :</b>				
Government and Trust Securities				
Quoted :				
Unit Trust of India :				
201,988 units of Rs.10/- each in UTI Balanced fund ( Growth )		8,063		8,063
6,307.552 (6,069.629) units of Rs.10/- each in UTI Balanced fund (Dividend Plan-Re-investment)		116,854		104,805
		124,917		112,868
3,300 Master Shares of Rs.10/- each		8,244		8,244
			133,161	121,112
Fully paid Equity Shares :				
Trade, Unquoted :				
2 Shares of Rs.100/- each in Kirloskar Proprietary Ltd.	62,034		62,034	62,034
Other, Quoted :				
100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.	2,400,000			2,400,000
Less: Provision for diminution in value	(2,399,999)			(2,399,999)
		1		1
46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.		117,475		117,475
375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.	5,000,000			5,000,000
Less: Provision for diminution in value	(4,999,999)			(4,999,999)
		1		1
50,295 Shares of Rs.2/- each in ICICI Bank Ltd.		206,101		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.		20,000,000		20,000,000
2,500 Shares of Rs.2/- each in HDFC Bank Ltd.		5,000		5,000
7,000 Shares of Rs. 2/- each in Punjab National Bank		43,400		43,400
			20,371,978	20,371,978
Unquoted :				
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.		833,984		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.		1,120,932		1,120,932
1 share of Rs.100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.		100		100
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.		1,250,000		1,250,000
Associate Company				
390,000 (490,000) Equity Shares of Rs.10/- each fully paid in Kirloskar Chillers Pvt.Ltd. at the beginning	3,900,000			4,900,000
Add : Share in profit at the beginning of the year	102,284,622			130,582,455
Less : Buy back of shares	-			1,000,000
Less : Adjustments to share in profit due to buy back of shares	-			33,319,991
Less : Dividend received during the year	17,550,000			7,350,000
Add: Share in profit for the year	23,387,435			12,372,158
		112,022,057		106,184,622
			115,227,073	109,389,638
In Debentures and Bonds :				
Quoted :				
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation		1,100,000		1,100,000
Less: Provision for diminution in value		(1,099,999)		(1,099,999)
			1	1
<b>Total</b>			<b>135,794,247</b>	<b>129,944,762</b>

**NOTE 10 : NON CURRENT INVESTMENTS (LONG TERM) : (Contd.)**

	Book Value as at		Market Value as at	
	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.
Quoted	20,505,140	20,493,090	157,409,107	186,959,334
Unquoted	115,289,107	109,451,672		
<b>Total Rs.</b>	<b>135,794,247</b>	<b>129,944,762</b>		
Aggregate provision for diminution in value	(8,499,997)	(8,499,997)		

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

**NOTE 11 : DEFERRED TAX ASSETS:**

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Deferred Tax Assets	32,353,787	32,760,512
Deferred Tax Liabilities (Refer Note no.47 A)	19,532,826	24,279,712
<b>Total</b>	<b>12,820,961</b>	<b>8,480,800</b>

**NOTE 12 : LONG TERM LOANS AND ADVANCES :**

**UNSECURED , GOOD :**

(Unless otherwise stated)

Advances to Suppliers of Capital Goods

Deposits

Other Loans and Advances

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Advances to Suppliers of Capital Goods	5,620,800	-
Deposits	22,548,152	22,897,060
Other Loans and Advances	10,074,171	11,012,199
<b>Total</b>	<b>38,243,123</b>	<b>33,909,259</b>

**NOTE 13 : OTHER NON CURRENT ASSETS :**

Long Term Trade Receivables - Unsecured

	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Long Term Trade Receivables - Unsecured	5,314,174	3,243,228
<b>Total</b>	<b>5,314,174</b>	<b>3,243,228</b>

**NOTE 14 : CURRENT INVESTMENTS AT COST :**

Quoted :

- (42,968.825) units of Reliance Liquidity Funds Direct Plan Daily Div	-	42,990,747
- (5,000,000.00) units of UTI-Fixed Term Income Fund Series XIX-III (368 days) Direct Growth	-	50,000,000
- (4,482,495.854) units of IDFC Banking Debt Fund Direct Growth	-	50,000,000
- (34,278.377) units of Reliance Liquid Fund Treasury Plan-Direct- Daily Div.	-	52,402,732
- (7,413.036) units of L & T Liquid Fund Direct Plan - Daily Div.	-	7,502,363
4,345,143.433 (4,345,143.433) units of Birla Dynamic Bond Fund Retail Qtr. Dividend	50,000,000	50,000,000
128,133.606 (131,309.631) units of SBI Premier Liquid Fund Direct Plan Daily Div.	128,550,040	131,736,386
345,886.569 (327,942.011) units of ICICI Prudential Liquid - Direct Plan Daily Div	34,607,494	32,812,022
563,193.628 (533,896.704) units of ICICI Prudential Money Market Fund Direct Daily Div	56,400,181	53,466,285
3,188,862.658 (3,001,325.612) units of DSP BlackRock Ultra Short Term Direct Weekly Div.	31,914,761	30,013,311
5,190,174.055 (4,940,379.919) units of L & T Short Term Opportunities Fund Direct Monthly Div.	55,601,120	52,929,629
64,826.682 (61,404.235) units of SBI Ultra Short Term Debt Fund Direct Daily Div.	65,027,566	61,586,823
22,197.389 (20,959.641) units of UTI-Treasury Advantage Fund IP Direct Daily Div	22,249,641	21,008,980
54,245.861 (51,450.452) units of UTI-Liquid Fund Cash Plan IP Direct Daily Div.	55,300,709	52,450,942
55,250.959 (52,282.034) units of Reliance Money Manager Fund - Direct - Daily Div.	55,369,344	52,392,335
2,911,574.325 (2,778,148.074) units of Reliance Short Term Fund Direct Monthly Div.	31,996,189	30,522,793
9,273,620.37 (8,828,930.404) units of DSP BlackRock Banking & PSU Debt Fund Direct Weekly Div	94,570,217	90,000,000
6,776,526.192 (3,540,710.445) units of Reliance Medium Term Fund Direct Daily Div.	115,850,814	60,531,632
604,340.284 (570,823.723) units of ICICI Prudential Flexible Income Direct Daily Div.	63,900,404	60,356,503
31,759.410 (30,122.09) units of IDFC Cash Fund - Direct Daily Div.	31,776,766	30,138,307
73,947.212 (70,136.402) units of DSP BlackRock Liquidity Fund Direct Daily Div.	73,971,691	70,158,581
4,178,873.363 (-) units of Reliance Banking & PSU Debt Fund Direct Weekly Div	41,806,621	-
58,358.291 (-) units of UTI-Floating Rate Fund - STP Direct Daily Div.	62,844,742	-
2,901,773.958 (-) units of SBI Short Term Debt Fund Direct Weekly Div.	30,616,907	-
51,198.055(-) units of Axis Liquid Fund Direct Daily Div.	51,214,605	-
6,078,345.841 (-) units of ICICI Prudential Ultra Short Term Direct Daily Div.	61,430,194	-
2,995,865.705 (-) units of Reliance Quarterly Interval Fund Series II Direct - Dividend	30,000,000	-
30,244.124 (-) units of SBI Treasury Advantage Fund Direct Daily Div.	30,425,185	-
3,997,761.254(-) units of Reliance Yearly Interval Fund Series 1 Direct - Dividend	40,000,000	-
39,304.177 (-) units of HDFC Liquid Fund Direct Plan Daily Div	40,083,186	-
4,015,209.821. (-) units of DSP BlackRock Ultra Short Term Fund - Direct Weekly Div.	40,318,328	-
80,005.868 (-) units of HSBC Cash Fund Direct Daily Div.	80,050,672	-
Less: Aggregate provision for diminution in value	(4,015,000)	(2,071,000)
<b>Total</b>	<b>1,471,862,377</b>	<b>1,080,929,371</b>

	Book Value as at		Market Value as at	
	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.
Quoted	1,471,862,377	1,080,929,371	1,475,649,305	1,089,175,955
Unquoted	-	-		
<b>Total Rs.</b>	<b>1,471,862,377</b>	<b>1,080,929,371</b>		

**NOTE 15 : INVENTORIES:**

**Raw Materials :**

(Includes Rs.1,665,159/- (Rs.3,749,119/-) in transit)

340,533,295

375,378,553

**Work-in-progress :**

Finished Goods, at cost or net realisable value whichever is lower

168,564,998

126,250,509

43,806,478

56,707,185

**Stores & Spares :**

20,938,898

20,053,658

**Total**

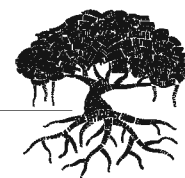
**573,843,669**

**578,389,905**

# KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

41<sup>st</sup> ANNUAL REPORT 2015 - 2016



	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 16 : TRADE RECEIVABLES : UNSECURED :</b>			
Trade Receivables - Unsecured Considered Good			
(a) Outstanding over six months	145,730,350		116,339,992
(b) Others	<u>1,039,613,918</u>		<u>1,322,763,145</u>
<b>Total</b>		<u><u>1,185,344,268</u></u>	<u><u>1,439,103,137</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 17 : CASH AND BANK BALANCES :</b>			
Cash & Cash Equivalent :			
Cash on hand	308,980		524,825
Balances with Banks :			
In Current Accounts	<u>230,916,804</u>		<u>192,969,249</u>
Earmarked Balances with Banks ( for Unclaimed Dividend )		231,225,784	193,494,074
		<u>17,725,095</u>	<u>14,928,674</u>
<b>Total</b>		<u><u>248,950,879</u></u>	<u><u>208,422,748</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 18 : SHORT TERM LOANS AND ADVANCES :</b>			
<b>UNSECURED , GOOD :</b>			
		114,566,222	129,917,945
<b>Total</b>		<u><u>114,566,222</u></u>	<u><u>129,917,945</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 19 : OTHER CURRENT ASSETS :</b>			
Sundry Deposits		7,317,054	7,875,305
Balances with Central Excise		39,022,830	40,631,501
Taxes paid in Advance		<u>148,395,558</u>	<u>95,600,195</u>
<b>Total</b>		<u><u>194,735,442</u></u>	<u><u>144,107,001</u></u>

	Current Year Rs.	Previous Year Rs.
<b>NOTE 20 : REVENUE FROM OPERATIONS:</b>		
Sale of Products	5,051,688,895	4,255,624,826
Works Contract Sale	70,450,230	75,880,749
Sale of Services	<u>416,044,501</u>	<u>421,195,196</u>
	5,538,183,626	4,752,700,771
Less : Excise Duty & Service Tax	<u>449,405,036</u>	<u>343,112,178</u>
<b>Total</b>	<u><u>5,088,778,590</u></u>	<u><u>4,409,588,593</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 21 : OTHER INCOME:</b>			
Dividend on Long Term Investments (Includes foreign dividend Rs.816,975/- Previous Year Rs. 852,189/-, Withholding tax Rs.81,691/-Previous Year Rs. 65,219/-)		6,868,810	4,477,989
Dividend on Current Investments		68,467,527	47,573,758
Interest Received (Gross)		2,329,490	2,220,117
(Tax deducted Rs.64,647/-, Previous Year Rs.54,954/-)			
Insurance Claim Received		390,444	168,472
Miscellaneous Receipts		44,868,926	25,357,811
Profit on Sale of Investments		9,358,064	42,851,824
Surplus on Sale of Assets		31,345,348	3,361,971
Bad Debts / Liquidated Damages Recovered		29,811,323	-
Adjustments to carrying amount of Investments		-	9,429,000
<b>Total</b>		<u><u>193,439,932</u></u>	<u><u>135,440,942</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 22 : COST OF MATERIALS CONSUMED :</b>			
Raw Materials (including components) consumed :			
Stocks at commencement	375,378,553		232,704,729
Add : Purchases	<u>2,885,722,416</u>		<u>2,424,360,866</u>
	3,061,100,969		2,657,065,595
Less :Stocks at close	<u>340,533,295</u>		<u>375,378,553</u>
<b>Total</b>		<u><u>2,720,567,674</u></u>	<u><u>2,281,687,042</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 23 : CHANGES IN INVENTORIES :</b>			
(Increase) / Decrease in Stocks :			
Finished Goods			
Stocks at close	43,806,478		56,707,185
Stocks at commencement	<u>56,707,185</u>		<u>28,217,177</u>
		12,900,707	(28,490,008)
Work-in-Progress			
Stocks at close	168,564,998		126,250,509
Stocks at commencement	<u>126,250,509</u>		<u>128,676,316</u>
		(42,314,489)	2,425,807
<b>Total</b>		<u><u>(29,413,782)</u></u>	<u><u>(26,064,201)</u></u>

	Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>NOTE 24 : EMPLOYEE BENEFITS EXPENSES :</b>			
Salaries, Wages, Bonus, etc.		664,648,956	688,874,525
Incentive		21,567,961	9,981,283
Contribution to Provident and Other Funds, etc.		52,192,168	58,849,839
Welfare Expenses		<u>81,175,180</u>	<u>84,950,211</u>
<b>Total</b>		<u><u>819,584,265</u></u>	<u><u>822,265,858</u></u>

		Current Year Rs.	Previous Year Rs.
<b>NOTE 25 : FINANCE COSTS :</b>			
<b>Interest :</b>			
Other than on Borrowings		156,874	188,862
	<b>Total</b>	<u>156,874</u>	<u>188,862</u>

**NOTE 26 : DEPRECIATION AND AMORTISATION EXPENSE :**

Depreciation and impairment of tangible assets		153,184,383	169,315,644
Amortisation of intangible assets		37,712,295	19,711,305
	<b>Total</b>	<u>190,896,678</u>	<u>189,026,949</u>

**NOTE 27 : OTHER EXPENSES :**

Stores and Spares Consumed		99,972,752	101,768,381
Manufacturing Expenses		247,220,318	230,538,240
Power, Fuel and Water		83,610,966	75,019,689
Building Repairs		14,621,153	17,969,437
Machinery Repairs		36,572,335	23,651,111
Sundry Repairs		15,107,571	15,873,329
Rent		9,912,670	10,711,049
Rates and Taxes		7,767,227	12,687,877
Insurance		8,624,299	8,963,702
Commission and Discount		113,420,918	125,879,715
Royalty		15,123,900	13,100,266
Travelling Expenses		79,576,990	87,933,041
Excise Duty, net		10,854,689	7,978,351
Sales Tax		577,141	2,852,154
Postage, Telephones, Telex Expenses		19,248,192	19,235,158
Bank Charges		11,575,693	12,171,935
Freight Outward		29,081,692	33,844,735
Vehicle Expenses		21,566,649	20,529,334
Printing and Stationery		7,086,652	7,134,991
Legal and Professional Charges		45,088,418	42,545,072
Advertisement and Publicity Expenses		9,021,063	13,132,464
Donations		2,500,000	5,250,000
Auditors' Remuneration		2,284,727	2,257,649
Directors' Fees and Travelling Expenses		8,039,271	3,924,457
Director's Remuneration :			
Salary		35,100,000	18,800,000
Loss on Assets sold		2,389,198	-
Bad Debts and Sundry Debit Balances written off		20,176,669	7,817,078
Liquidated Damages		32,891,787	34,277,725
Adjustments to carrying amount of Investments		1,944,000	-
CSR Expenditure		10,018,519	16,988,775
Miscellaneous Expenses		82,208,506	79,976,753
	<b>Total</b>	<u>1,083,183,945</u>	<u>1,052,812,489</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016**

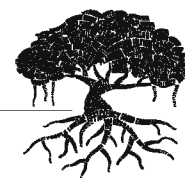
**28 Disclosure pursuant to Accounting Standard - 15 ( Revised ) " Employee Benefits" :**

- a. Defined Contribution Plans:  
Amount of Rs. 39,554,538/- ( Previous Year Rs. 46,555,211/-) is recognised as expense and included in " Employee Benefits Expenses" in Note 24 in the Profit and Loss Account.
- b. Defined Benefit Plans:
  - i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit Obligation at the beginning of the year	154,463,829	162,682,659
b. Interest cost	11,361,962	11,725,111
c. Past service cost	2,136,430	-
d. Current service cost	12,808,940	11,882,133
e. Actuarial Losses / ( Gains)	(3,710,688)	411,471
f. Benefits paid	17,595,293	32,237,545
g. Present value of Defined Benefit Obligation at the close of the year	159,465,180	154,463,829

ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Fair value of Plan Assets at the beginning of the year	142,465,324	150,743,069
b. Add :Expected return on Plan Assets	12,245,544	12,306,188
c. Add / (Less) : Actuarial ( Losses ) / Gains	(2,286,530)	(382,101)
d. Acquisition adjustment	-	-
e. Add : Contributions	12,562,792	12,035,713
f. Less: Benefits Paid	17,595,293	32,237,545
g. Fair value of Plan Assets at the close of the year (includes Rs.28.95 Lacs with trust, previous year Rs.30.51 Lacs)	147,391,837	142,465,324



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)

- iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit obligation	159,465,180	154,463,829
b. Less: Fair value of Plan Assets - with LIC	144,496,788	139,413,920
c. Less: Fair value of Plan Assets - with Trust	2,895,049	3,051,404
d. Total Fair Value of Plan Assets	147,391,837	142,465,324
e. Net Liability / (Asset) recognised in the Balance Sheet	12,073,343	11,998,505

- iv. Amount recognised in the Profit and Loss Account are as follows :

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Current Service Cost	12,808,940	11,882,133
b. Past Service Cost	2,136,430	-
c. Interest Cost	11,361,962	11,725,111
d. Expected return on Plan Assets	12,245,544	12,306,188
e. Actuarial Losses / (Gains)	(1,424,158)	783,572
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	12,637,630	12,094,628

- v. Broad Categories of plan assets as at 31.03.16

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

- vi. Actuarial Assumptions at the Balance Sheet data:

	2015-16 Rs.	2014-15 Rs.
	<b>Gratuity</b>	
a. Discount Rate	7.90%	7.80%
b. Expected rate of return on Plan Assets	8.75%	8.75%
c. Salary Escalation rate	5.00%	5.00%

Particulars	For the year ended March 31, 2016 Rs.	For the year ended March 31, 2015 Rs.	For the year ended March 31, 2014 Rs.	For the year ended March 31, 2013 Rs.
Defined Benefit Obligation	159,465,180	154,463,829	162,882,659	171,052,744
Plan Assets	147,391,837	142,465,324	150,743,069	163,924,541
(Surplus) / Deficit	12,073,343	11,998,505	11,939,590	7,128,203
Experience Adjustment on plan liabilities (gain)/ loss	(4,613,682)	(2,672,645)	3,488,751	4,935,680
Experience Adjustment on plan assets (gain)/ loss	2,286,530	382,101	(252,902)	877,174

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- vii. General Descriptions of significant Defined Benefit plans:

Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

- viii. The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further Para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

29 Details of Segment Reporting - Consolidated

A.	Information about Business Segment - Primary (See Note below)	2015-16			2014-15		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sr. No.	Particulars						
1	Segment Revenue						
	Sales	4,524,576,559	564,202,031	5,088,778,590	3,862,632,352	546,956,240	4,409,588,593
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	4,524,576,559	564,202,031	5,088,778,590	3,862,632,352	546,956,240	4,409,588,593
2	Result						
	Segment Result	775,434,788	(72,177,831)	703,256,957	530,212,583	(66,977,397)	463,235,186
	Less: Unallocable Corporate Expenses (Net of Income)			205,857,215			237,733,768
	Operating Profit before Interest			497,399,742			225,501,418
	Less: Interest			156,874			188,862
	Profit before Tax			497,242,868			225,312,556
	Share in profit of Associate Company not Included above			23,387,435			12,372,158
3	Other Information						
	Segment Assets	2,274,591,188	371,652,059	2,646,243,247	2,468,952,652	593,655,544	3,062,608,196
	Add: Unallocable common assets			2,442,411,788			1,958,045,874
	Total Assets			5,088,655,035			5,020,654,070
	Segment Liabilities	1,518,449,972	115,844,502	1,634,294,474	1,628,886,011	192,470,170	1,821,356,181
	Add: Unallocable common liabilities			176,811,727			177,240,532
	Total Liabilities			1,811,106,201			1,998,596,713
4	Capital Expenditure During the year	21,527,808	5,736,835	27,264,643	14,232,040	3,453,288	17,685,328
5	Depreciation and Impairment	108,818,164	65,323,208	174,141,372	109,240,446	61,431,160	170,671,606
	Add: Unallocable Depreciation			16,755,306			18,355,343
				190,896,678			189,026,949
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			4,932,758,625			4,209,557,833
	Outside India			156,019,965			200,030,760
	Total			5,088,778,590			4,409,588,593

C Other Disclosures

- Segments have been identified in line with the Accounting Standard, AS-17 "Segment Reporting" (AS -17), taking into account the organisation structure as well as the differing risks and returns.
- Company has disclosed Business Segment as the primary segment.
- Composition of Business Segment  
Name of the Segment : Comprises of :  
a) Compression Systems Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.  
b) Transmission Equipments Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
- The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 50 to the Financial Statement.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)

### 30. Disclosure of Transactions with Related Parties as required by the AS -18

(A) Name of the related party and nature of relationship where control exists  
Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd. (up to 30th June 2015) Pneumatic Holdings Ltd. (from 1st July 2015)	
2) Fellow Subsidiary	Kirloskar Oil Engines Ltd. (up to 30th June 2015) Pneumatic Holdings Ltd. (up to 30th June 2015)	
3) Key Management Personnel	Mr Rahul C Kirloskar Mr Aditya Kowshik	Executive Chairman Managing Director
4) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar Mrs Surman C Kirloskar Mr Atul C Kirloskar Ms Alka Rahul Kirloskar Mrs Kavita Kowshik	Wife Mother Brother Daughter Wife
5) Enterprise over which key management personnel exercise control/significant influence	Kirloskar Integrated Technologies Pvt. Ltd. Alpak Investment Pvt. Ltd. Snow Leopard Momentum LLP Green Tek Systems India Ltd. Kirloskar Oil Engines Ltd. (from 1st July 2015) Kirloskar Energen Pvt Ltd Snow Leopard Global Technology LLP (from 20th Jan 2016)	

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.

### (B) Related Party Transactions

Amount in Rs.

Nature of Transaction	Year	Holding Company	Fellow Subsidiary Company	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which key management personnel exercise control/significant influence	Total
Purchase of Goods/ Assets	2015-16	-	1,613,125	-	-	12,469,375	14,082,500
	2014-15	-	6,726,054	-	-	426,079	7,152,133
Sale of Goods / Assets	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Services Given	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Services Received	2015-16	-	-	43,905,516	300,000	-	44,205,516
	2014-15	-	281,667	26,447,840	-	-	26,729,507
Rent Received	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Dividend Received	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Rent Paid	2015-16	5,019,936	-	-	1,800,000	-	6,819,936
	2014-15	971,601	-	-	1,800,000	-	2,771,601
Dividend Paid	2015-16	83,930,112	-	1,386,948	2,642,832	600	87,960,492
	2014-15	69,941,760	-	1,155,790	2,207,730	500	73,305,780
Buyback of Shares by Associata Co.	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Balance Outstanding							
Receivable	2015-16	-	-	-	-	121,074	121,074
	2014-15	-	1,253,302	-	-	-	1,253,302
Payable	2015-16	-	-	16,500,000	300,000	2,464,647	19,264,647
	2014-15	-	-	-	-	-	-
Deposit receivable	2015-16	-	-	-	10,000,000	-	10,000,000
	2014-15	-	-	-	10,000,000	-	10,000,000
Deposit payable	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-
Investment	2015-16	-	-	-	-	-	-
	2014-15	-	-	-	-	-	-

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per nota no 31 and to Relatives of Key Managerial Personnel.

There are no loans and advances given in the nature of loans to aforementioned Related Parties.

There are no loans and advances given in the nature of loans to firms/companies in which directors are interested.

### 31 Managerial Remuneration :

During the year Company had made an application to Central Government (The Ministry of Corporate Affairs) seeking approval for the remuneration payable to the Executive Chairman due to inadequacy of profits for the year 2014-15. The Ministry of Corporate Affairs vide its letter dated January 15, 2016 rejected the application on the ground that Company had paid remuneration exceeding 5% of net profits to the Executive Chairman during the financial years 2012-13 & 2013-14 without obtaining prior approval of the Central Government and further directed recovery of excess remuneration paid amounting to Rs.200.39 lacs ( Rs.131.04 lacs net of tax ). Company was advised to make an application to the Central Government for seeking waiver of recovery of this amount and accordingly Company has made the requisite application to the Central Government. The said application is pending for approval and therefore Company has not recovered any amount nor accounted it as recoverable in the books of accounts as on 31st March 2016.

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

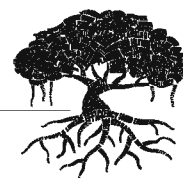
	2015-16			2014-15		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	6,000,000	18,000,000	12,000,000	6,000,000	18,000,000
House Rent Allowance	-	600,000	600,000	-	600,000	600,000
Commission	8,500,000	8,000,000	16,500,000	-	-	-
Contribution to Provident Fund, Superannuation and Gratuity :	2,540,000	2,120,000	4,660,000	2,540,000	1,920,000	4,460,000
Other perquisites	3,203,610	941,906	4,145,516	2,849,709	538,131	3,387,840
<b>Gross Remuneration</b>	<b>26,243,610</b>	<b>17,661,906</b>	<b>43,905,516</b>	<b>17,389,709</b>	<b>9,058,131</b>	<b>26,447,840</b>

Less : Contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Act.

	-	-	-	2,040,000	1,070,000	3,110,000
<b>Remuneration paid</b>	<b>26,243,610</b>	<b>17,661,906</b>	<b>43,905,516</b>	<b>15,349,709</b>	<b>7,988,131</b>	<b>23,337,840</b>
<b>Approved by Shareholders</b>	-	-	-	16,000,000	8,000,000	24,000,000

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

	2015-16 Rs.	2014-15 Rs.
1 Net Profit as per Profit & Loss Account	516,447,960	284,191,595
<b>2 ADD.</b>		
Directors Remuneration	48,000,516	26,447,840
Loss on sale of Assets	2,389,198	-
	566,837,674	310,639,435
<b>3 LESS</b>		
Profit on sale of Assets & Investments	34,039,307	104,642,795
	34,039,307	104,642,795
Net Profit U/S 197	532,798,367	205,996,640
Maximum permissible Remuneration payable to Executive Chairman & Managing Director Restricted to	53,279,837	Subject to approval of Central Government due to inadequacy of profit. See Note above
Executive Chairman	26,243,610	
Managing Director	17,661,906	
Maximum permissible Commission payable to Non Executive Directors Restricted to	5,327,984	NIL
	4,095,000	

**32 Leases :**

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per accounting standard 19 with regard to the above is as under.

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs.7,495,301/- (Rs. 9,010,167/-).
  - 2) Later than 1 year but not later than 5 years Rs. 3,504,060/- (Rs. 9,365,596/-).
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2016 amounts to Rs. 9,636,670/- (Rs. 10,533,341/-).
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

**33 Intangible assets :**

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation is amortized on commencement of commercial production. Software is being amortized on pro rata basis from the month of installation, over a period of one year.

**34 Capital and other commitments:**

	2015-16 Rs.	2014-15 Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	49,785,548	7,595,847
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2016	703,530,045	1,002,170,826

**35 Payment to Auditors (Net of Service Tax):**

(a) As Auditors	1,938,875	1,925,000
(b) In Other Capacity For Tax Audit	300,000	300,000
	2,238,875	2,225,000
(c) For Expenses	45,852	27,649
	2,284,727	2,252,649

**36 Proposed Dividend:**

Dividend recommended per share	-	5
Dividend %	-	50

**37 A. Contingent Liabilities not provided for in respect of :**

Claims against the Company not acknowledged as Debts, estimated at	151,846,164	403,330,576
Disputed Central Excise Matters	3,124,091	1,844,298
Disputed Customs Matters	1,454,000	1,454,000
Disputed Sales Tax Demands	69,615,278	69,615,414
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	4,275,000	6,407,829

**B.** Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable and therefore management does not anticipate any financial impact on this account.

**38 Foreign Exchange Derivatives & Exposures hedged / not hedged at close of the year :**

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2016	31.03.2015
Forward Contracts	USD	Purchase	266,515	79,125
	GBP	Purchase	95,197	-
	EURO	Purchase	67,395	278,428

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2016	31.03.2015
Receivable	USD	591,650	249,221
	GBP	39,000	14,220
	EURO	-	6,800
Payable	USD	127,428	350,585
	GBP	30,404	67,642
	EURO	71,315	66,918
	JPY	269,994	-
	SEK	133,271	96,000

(C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs. Nil/- Previous Year Rs.2,072,300/-) since such differences are in the nature of loss & in Miscellaneous Receipts (Rs.2,905,259/-, Previous Year Rs. Nil) since such differences are in the nature of gain.

**39** Miscellaneous expenses includes prior period items of Rs. 1,173,426/- (PY Rs.3,656,754/-)

**40** The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2016.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

	2015-16 Rs.	2014-15 Rs.
<b>41 Details of Work-in-Progress :</b>		
Compression Systems	115,289,463	68,681,414
Gears	40,012,138	48,960,169
Others	13,263,397	8,608,926
	<u>168,564,998</u>	<u>126,250,509</u>

<b>42 Value of Imports calculated on CIF basis :</b>		
Raw Materials	398,773,822	342,762,180
Components & Spares	44,066,260	46,091,321
Capital Goods	-	1,177,593
	<u>442,840,082</u>	<u>390,031,094</u>

<b>43 Expenditure in Foreign Currencies :</b>		
(i) Royalty	1,706,798	1,314,919
(ii) Professional Fees	6,502,605	31,285,890
(iii) Other matters	24,310,795	24,634,478

<b>44 Details of raw material consumed :</b>		
Steel Bars and Plates	7,948,051	6,362,371
Pipes	8,173,313	9,040,632
Castings	37,240,295	42,578,788
Forgings	151,481,535	185,766,277
Foundry Raw material	19,377,097	23,654,026
Components	2,259,542,624	1,854,169,698
Others	236,804,759	160,115,250
	<u>2,720,567,674</u>	<u>2,281,687,042</u>

**45 Imported and Indigenous Raw Materials, Components & Spares Consumption :**

	2015-16		2014-15	
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	448,011,516	16.47	330,329,419	14.48
Indigenously obtained	1,963,020,486	72.15	1,642,514,499	71.99
	<u>2,411,032,002</u>	<u>88.62</u>	<u>1,972,843,918</u>	<u>86.47</u>
<b>Spares</b>				
Imported	55,186,113	2.03	56,393,907	2.47
Indigenously obtained	254,349,558	9.35	252,449,217	11.06
	<u>309,535,672</u>	<u>11.38</u>	<u>308,843,124</u>	<u>13.53</u>

**46 Earnings in Foreign Currencies :**

	2015-16 Rs.	2014-15 Rs.
(i) F.O.B. Value of Exports	156,019,965	200,030,760
(ii) Dividend Received	816,975	652,189
(iii) Supervision Charges	9,489,204	-

**47 A. Deferred tax asset / liability :**

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs.4,340,161/- in the Profit and Loss Account, The details of which are as under.

Amount in Rs.			
Particulars	Balance as at 1st April 2015	Arising During the Year	Balance as at 31st March 2016
I. Deferred Tax Liabilities			
a. Depreciation	24,279,712	(4,746,886)	19,532,826
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	32,760,512	(406,725)	32,353,787
Net Deferred Tax Liability	(8,480,800)	(4,340,161)	(12,820,961)

B. Current Tax includes Rs. 720,360/- (PY credit of Rs. 12,653,489/-) in respect of earlier years.

**48** Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs.9,866,086/- (PY Rs.15,623,160/-). Amount spent during the year

	Particulars	In Cash	Yet to be paid in cash	Total
1	Construction / acquisition of any asset	Nil	Nil	Nil
2	On purpose other than (1) above			
	Direct Expenditure	Rs.2,518,519/- (PY Rs.1,988,775/-)	Nil	Rs.2,518,519/- (PY Rs.1,988,775/-)
	Contribution by way of Donation	Rs.7,500,000/- (PY Rs. 15,000,000/-)		Rs.7,500,000/- (PY Rs. 15,000,000/-)

**49** Tangible Fixed Assets have been mortgaged to consortium of the banks as a security for working capital limits.

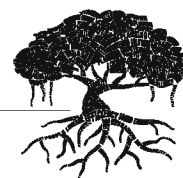
**50 Significant accounting policies :**

**A. System of Accounting :**

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.

**B. Tangible assets**

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Depreciation on Assets (other than Freehold Land):
  - (i) With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year in double or triple shift, depreciation is being calculated on the basis of Note 6 of the said schedule.
  - (ii) Depreciation on Vehicle is being provided over a period of five years, being the estimated useful life of the asset to the company.
  - (iii) Depreciation on Additions to Fixed Assets is being provided on pro-rate basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 (Contd.)**

- (iv) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
  - (v) Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
  - (vi) Assets are reviewed for impairment annually, based on future economic useful life of assets. Impaired assets so identified are valued at recoverable cost.
- C. Intangible assets :  
Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.33 )
- D. Investments :  
a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.  
b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.
- E. Inventories :  
Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.  
(i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.  
(ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.  
(iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.  
(iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.  
(v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.  
(vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.  
(vii) Excise / Customs Duty : Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.
- F. Foreign Currency Conversion :  
a. Initial Recognition  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.  
b. Conversion  
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalued at the rate prevailing on the date of Balance Sheet.  
c. Forward Contracts  
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.
- G. Borrowing Cost :  
Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- H. Sales :  
(i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.  
(ii) Export Sales are accounted for on the basis of dates of Bills of Lading.  
(iii) Construction Contract Sales :  
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.
- I. Income Tax :  
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.  
Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and increase of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- J. Employee Benefits :  
(A) Short term Employee Benefits :  
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia etc. and are recognised in the period in which the employee renders the related service.  
(B) Post Employment Benefits :  
(i) Defined Contribution Plans :  
The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.  
(ii) Defined Benefits Plans :  
The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the balance sheet.  
(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.  
(iv) Termination benefits are recognised as an expense as and when incurred.
- K. Provisions :  
Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

51 Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date.

For **M/s P.G.Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**S.S.Athavale**  
Partner  
Membership No. 83374  
Pune, April 27, 2016

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

**Jitendra Shah**  
Company Secretary

For and on behalf of the Board of Directors

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, April 27, 2016

KIRLOSKAR PNEUMATIC COMPANY LIMITED

Form AOC 1

(Pursuant to first proviso to Sub section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

1	Sl.No.	1
2	Name of the Subsidiary	: Kirloskar RoadRailer Limited
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	: Not Applicable
4	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	: Not Applicable
5	Share capital	: Rs. 45,700,000/-
6	Reserves & surplus	: Rs. (4,395,846/-)
7	Total assets	: Rs. 371,498,814/-
8	Total Liabilities	: Rs. 371,498,814/-
9	Investments	: Rs. 81,934/-
10	Turnover	: NIL
11	Profit before taxation	: Rs. ( 1,655,092/- )
12	Provision for taxation	: NIL
13	Profit after taxation	: Rs. ( 1,855,092/- )
14	Proposed Dividend	: NIL
15	% of shareholding	: 100%

This company is yet to commence the operations.

KIRLOSKAR PNEUMATIC COMPANY LIMITED

Form AOC 1

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Part "B": Associates and Joint Ventures

Name of Associates	: Kirloskar Chillers Private Limited
1 Latest audited Balance Sheet Date	: 31 <sup>st</sup> March, 2016
2 Shares of Associate held by the company on the year end	:
i No.	: 390,000
ii Amount of Investment in Associates	: Rs. 3,900,000/-
iii Extend of Holding %	: 34.21%
3 Description of how there is significant influence	: Control of at least 20% of total Share Capital
4 Reason why the associate is not consolidated	: Consolidated
5 Networth attributable to Shareholding as per latest audited Balance Sheet	: Rs. 112,023,007/-
6 Profit / Loss for the year	: Rs. 75,445,863/-
i Considered in Consolidation	: Rs. 68,362,325/-
ii Not Considered in Consolidation	: Rs. 7,083,538/-

As per our attached report of even date.

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat  
Firm Registration No. 101118W  
Chartered Accountants

Aditya Kowshik  
Managing Director  
DIN - 00228983

Rahul C. Kirloskar  
Executive Chairman  
DIN - 00007319

S.S.Athavale  
Partner  
Membership No. 83374  
Pune, April 27, 2016

Jitendra Shah  
Company Secretary

Suhas S. Kolhatkar  
Vice President & Chief Financial Officer

Pune, April 27, 2016

# KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

Hadapsar Industrial Estate, Pune 411 013

Email: sec@kpcl.net; Website : www.kirloskarkpcl.com

CIN: L29120PN1974PLC110307

41<sup>ST</sup> ANNUAL GENERAL MEETING - 22<sup>ND</sup> JULY, 2016

## PROXY FORM

Name of Member(s).....

Registered address .....

E-mail ID.....

DP ID & Client ID / Folio No. ....

I / We being the member(s) of \_\_\_\_\_ shares of the above named Company, here by appoint:

(1) Name..... Address .....

E-mail ID ..... Signature..... or failing him/her;

(2) Name..... Address .....

E-mail ID ..... Signature..... or failing him/her;

(3) Name..... Address .....

E-mail ID ..... Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 41<sup>st</sup> Annual General Meeting of the Company, to be held on Friday, 22<sup>nd</sup> July, 2016 at 2.30 p.m. at S. M. Joshi Socialist Foundation, (S. M. Joshi Hall), S. No. 191/192, Navi Peth, Ganjave Chowk, Pune - 411 030 and at any adjournment thereof in respect of such resolutions as are indicated below :

Resolution No.	Resolution	Vote (Optional* see note 3)	
		For	Against
	<b>ORDINARY BUSINESS</b>		
1.	Adoption of Audited Financial Statements of the Company for the Financial Year ended 31 <sup>st</sup> March, 2016 and Report of Board of Directors and Auditors thereon (including Consolidated Financial Statements).		
2.	Confirmation of payment of Interim Dividend as Final Dividend for the Financial Year ended 31 <sup>st</sup> March, 2016.		
3.	Re-appointment of Mr Rahul C Kirloskar (DIN 00007319), Director who retires by rotation.		
4.	Re-appointment of M/s P G Bhagwat, Chartered Accountants as Statutory Auditors of the Company and fix their remuneration.		
	<b>SPECIAL BUSINESS</b>		
5.	Ratification of remuneration of M/s Sudhir Govind Jog, Cost Accountant as Cost Auditor.		
6.	Confirmation & Appointment of Dr Ajay Kumar Dua (DIN 02318948) as Independent Director.		

Resolution No.	Resolution	Vote (Optional* see note 3)	
		For	Against
7.	Re-appointment of Mr Rahul C Kirloskar (DIN 00007319), Executive Chairman for a further period of 5 years w.e.f. 23 <sup>rd</sup> January, 2017.		
8.	Revision in the remuneration of Mr Aditya Kowshik, (DIN 00228983) Managing Director.		
9.	Re-appointment of Mr Aditya Kowshik (DIN 00228983), Managing Director for a further period of 3 years w.e.f. 24 <sup>th</sup> October, 2016.		
10.	Payment of additional remuneration by way of Commission to the Non-Executive Directors of the Company.		

Signed this..... day of..... 2016

Signature of Member .....



Signature of Proxy holder .....

- Notes: 1. This form of proxy in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.
- \*3. It is optional to put a '✓' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.









**Gas Engine Driven Reciprocating Gas Compressor Package for an Unmanned Off-shore Platform**

**KIRLOSKAR High Speed Gearbox for 16.5 MW Steam Turbine**



**Propylene Refrigeration Package for Sulphuric Acid Plant - Oil & Gas Sector**

**Electric Screw Compressor for Compressed Air**





Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

A Kirloskar Group Company

Regd. Office: Hadapsar Industrial Estate, Pune 411 013, INDIA.

Tel.: +91 (20) 2672 7000 Fax: +91 (20) 2687 0297

Email: [sec@kpcl.net](mailto:sec@kpcl.net) Website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

CIN - L29120PN1974PLC110307